

**A developmental agenda for sustainability governance in banking an emerging
markets context: an exploratory study of the integration of corporate governance with
corporate sustainability performance in South Africa's banking sector**

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ABSTRACT

This qualitative exploration aimed to identify the role of corporate governance in enabling sustainability performance in South Africa's banks. Through semi-structured interviews with banking professionals and sustainability experts, the study examined the intricate relationship between corporate governance and corporate sustainability performance. The findings revealed several key insights.

Firstly, the study found the critical role that management practices play in shaping a strong corporate governance culture within the banks. The ethical conduct and leadership of senior management were shown to directly influence perceptions, responses, and adherence to governance standards. Secondly, the concept of integrated thinking emerged as significant, demonstrating the banks' recognition of the interdependence among various organisational aspects and their ecosystem. Unexpectedly, the study identified diversity of mindset as a crucial aspect of effective decision-making and strategy implementation in the banks. This finding expands existing literature on diversity in a corporate setting by emphasising the importance of cognitive diversity and going beyond just physical and demographic traits. Furthermore, the research provided valuable insights into how external factors—such as reputation, the risk of greenwashing, and the broader country context—impact the banks' sustainability practices and disclosures. The study also underscored the necessity of appropriate resources and capabilities for integrating effective corporate sustainability strategies. Lastly, the central role of corporate purpose in merging corporate governance and corporate sustainability practices was emphasised. The study discovered that the banks' commitment to creating mutually beneficial value for all stakeholders, as guided by their corporate purpose, played a crucial role in shaping their decision-making and strategies. These findings contribute to the literature on corporate governance and corporate sustainability performance, particularly within the context of South Africa's banking sector. The study offers a nuanced understanding of the complex interrelationships between various internal and external governance mechanisms, as well as the roles of leadership, resources, capabilities, and corporate purpose in driving sustainable practices within banks.

Keywords:

Sustainability performance; sustainability resilience, social environmental risk, reporting, directors, good corporate governance; strategy, purpose integration, diversity of thinking, risk management, compliance, technology, standard, frameworks and guidelines, sustainable finance, regulatory impact, future trends.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name & Surname

Signature

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CHAPTER 1: PROBLEM DEFINITION AND PURPOSE

1.1 INTRODUCTION

This study explored the relationship between corporate governance and corporate sustainability performance. The research was based on research gaps identified through the collection and analysis of credible and current literature. This was a qualitative study that explored governance mechanisms and sustainability performance metrics to establish the how the two concepts relate to one another. Sustainability has been linked to several organisational benefits such as customer loyalty, an enhanced reputation and stakeholder support. While governance has emerged as a topic concerned with behaviour and expectations, based on agreements between an organisation and its constituents. These agreements entail that the organisation's stewardship is in an ethical and responsible manner resulting in sustainable value creation and not value destruction (Dicuonzo et al., 2022; Grewal & Serafeim, 2020; Jaimes-Valdez & Jacobo-Hernandez, 2016).

1.1.1 Background to and Orientation to the Problem

The role of corporate governance has been of interest, more so over the last few decades - to several stakeholder groups such as corporate governance practitioners, business practitioners, economics, policymakers, lobbyists, investors, shareholders, stakeholders and researchers (Naciti et al., 2021). This renewed interest has been attributed to heated issues such as the scale and number of global scandals due to lapses in corporate governance, globalisation, concerns regarding organisations' effective management and utilisation of resources, and growing pressure from stakeholders for organisations to not only be run ethically, but also in a socio-environmentally responsible manner (Beshay, 2024; Jiang & Kim, 2020; Naciti et al., 2021).

It is recognised that corporate governance creates the platform for the ethical and effective deployment of organisational resources for value creation (Aras & Crowther, 2008), and over time, has evolved its focus from primarily that of ethics to that of responsibility, accountability and transparency to stakeholders (Aras & Crowther, 2008; Shrivastava & Addas, 2014). The corporate governance of an organisation encompasses all aspects of the organisation, and as such, includes decision making, corporate strategy setting, establishing the course that the organisation should follow in order to meet its performance objectives for the foreseeable future (E-Vahdati et al., 2019; Manna et al., 2019; Naciti et al., 2021). Therefore, it can be inferred that good corporate governance should result in an organisation achieving its set objectives and effectively managing its resources while promoting societal welfare and organisational resilience that endures into the future (Aras & Crowther, 2008; Hussain et al., 2016).

Compounding the interest in corporate governance is the growing expectation from regulatory and societal stakeholders for corporate governance to evolve from merely championing organisational value creation to taking much-needed action on "sustainability-related" issues (Lu, 2020). Arguably, the most prevailing challenge facing modern times is the adverse implications of climate change on society, business and future prospects for the world at large (WEF Global Risk Report, 2024). Consequently, in the final decade of the Sustainable Development Goals (SDGs) 2030 agenda, there is a growing trend among organisations to incorporate sustainability as a fundamental aspect of their overall strategy. This encompasses internal practices and extends to how organisations engage and partner with suppliers and stakeholders across their entire value chains. This approach signifies a shift towards more sustainable and responsible business practices as organisations come to recognise the importance of considering environmental and social impacts in addition to traditional business objectives (Lansiti & Levien, 2004). Furthermore, it is argued that determining what internal processes or mechanisms derive sustainability performance remains difficult to pinpoint (Demastus & Landrum, 2023).

In South Africa, corporate governance is addressed through a legislative and regulatory framework which includes the Companies Act, Act no. 71 of 2008, which legislated corporate governance issues for the first time, the Johannesburg Stock Exchange (JSE) Listing Requirements, ISO 37000, and the King IV Report on Corporate Governance™. The latter two are not enforced through legislation for all companies in South Africa but provide guides and principles for good business practice. Every state-owned entity and every publicly listed company is required by the Companies Act to establish a social and ethics committee. The social and ethics committee oversees a company's compliance with the United Nations' (UN) Global Compact and the Organisation for Economic Co-operation and Development's (OECD) anti-corruption recommendations, among other things. The OECD's standards of Corporate Governance are relevant when interpreting corporate governance standards, and even though South Africa is not a member state, these principles remain relevant in the South African context. These principles are meant to support governments in their endeavours to assess and enhance the corporate governance legal, institutional, and regulatory frameworks.

Corporate sustainability and its governance is an essential aspect of the South African financial services industry, particularly so for the banking sector, which plays a significant role in economic growth and development. It has been proposed that by their nature, banks have a significant role to play in driving impact on sustainable development through various financial instruments, among which is sustainable finance and the concept of "sustainable banking" (Aras et al., 2018; Khan et al., 2020). The banks represented in this study are listed on the JSE and are thus expected to comply with the JSE listing requirements, of which King IV is

key. As such, this research intended to explore the interaction between corporate governance and the sustainability performance of South Africa's banks.

Several studies have explored the relationship between the constructs, each pointing out directions for future research in this field. The research will begin by defining the theoretical and business needs for this research, followed by a review of the literature in line with responding to the research question. ***The aim was to write up a theoretical statement regarding the relationship between corporate governance and corporate sustainability performance and make recommendations concerning the mechanisms that would enhance sustainability performance in South Africa's banking sector.***

1.1.2 Research Problem

The purpose of research is to ultimately contribute to knowledge through the collection of research data (Bell et al., 2019), either in response to an opportunity or to solve a problem facing an organisation or society.

Corporate governance scandals have received a fair amount of attention across the globe. Recently, we witnessed the looting of VBS Mutual Bank in South Africa as well as the collapse of the two largest banks in the United States of America (USA), Silicon Valley Bank and Signature Bank, in 2023, all adding to mounting pressure for increased governance since the global financial crisis of 2008 (Beshay, 2024; Jiang & Kim, 2020;). Compounding this is the debate regarding the role of organisations in society, which has continued to gain momentum, with a view that organisations need to consider social goals and go beyond those focused on profit-making (Hussain et al., 2016).

In Africa, for instance, there is a perceived relationship between the lack of corporate performance in some countries and the lack of strong corporate governance (Ahmed & Gábor, 2011). Supporting this view is that governance overall is set at a national level through legislation and regulations. Controversially and consequently, the level of organisational governance is related to the "national context of either over-or under-conformance to global governance" (Witt et al., 2021). Furthermore, due to its role in balancing internal mechanisms with society's expectations of organisations, corporate governance's role in emerging economies has been cited as critical to economic transformation. Exacerbating the complexity of this relationship between banks and the concept of corporate governance and corporate sustainability performance is that it is postulated that corporate governance in the banking sector is unique in that banks are subject to rigorous monitoring and robust regulatory environments, as well as the challenges posed by the opaque nature of the information available or provided by banks on their behaviours (Ahmed & Gábor, 2011).

In as much as there has been growing interest in the field of corporate governance, the same can be said for the interest in sustainability (Aras & Crowther, 2008; Naciti et al., 2021; Sustainability Reporting, 2024, pp. 6–7). Business managers, owners spanning multiple sectors, and policymakers have overtly declared the rising importance of corporate sustainability as a tool for businesses and society to deploy to mitigate against grand challenges such as climate change and the eradication of poverty (Meuer et al., 2019). This has led to an increase in the academic literature on the topic of corporate sustainability due, in part, to the view that it has been recognised by researchers, policymakers, lobby groups and other stakeholders that business activities have a direct impact on the external environment, and as such, organisations need to have a level of accountability that expands beyond its shareholders to encompass all stakeholder groups (Aras & Crowther, 2008). Additionally, Williams (2010) asserts that over time, the issue of corporate sustainability has become central to the business agenda, and therefore one cannot separate the business agenda from the concept of "sustainability". Moreover, due to the growing demands for sustainability disclosures and increasing expectation for accountability from businesses and their conduct in society at large, the concept of "sustainability" has continued to evolve from a philosophical one to a boardroom priority in mainstream business practice (Milne et al., 2009). Linking these two concepts are Shrivastava and Addas (2014), who argue that organisations with sound corporate governance practices are likely to have high sustainability practices. Furthermore, Morioka and de Carvalho (2016) cite the importance of effective corporate governance practices in an organisation's ability to align management with stakeholder and shareholder interests, including those related to sustainability and incorporate stakeholders' ESG concerns into their business strategy and day-to-day operations.

Governance at its core is the art of influence, the role of culture and systems, and, more importantly, coordinating and directing "individual agencies threatening to go it alone" (Keasey et al., 1997; Schillemans & Bjurstrøm, 2019). Echoing this perspective are Schillemans and Bjurstrøm (2019) and Kyereboah-Coleman (2008), who argue that corporate governance, in essence, is associated with policies, processes and structures put in place by organisations to assist with the management of agency problems. The authors argue that corporate governance systems, through the separation of ownership and control, will contribute to the organisation's legitimacy and clarify the relationship between the organisation and its stakeholders (Kyereboah-Coleman, 2008). According to Olsen (2015), the principal-agent theory is premised on "calculated contracts" and consequences for behaviour. Critics of the agency theory view the stewardship theory as unambiguously different from the agency theory in that the stewardship theory assumes "unselfish behaviours" on the part of the stewards and principals involved (Schillemans & Bjurstrøm, 2019). This is significant from the standpoint of

corporate governance because, as corporate performance is a form of stewardship, management is also accountable for the stewardship of the organisation's external environmental resources, in as much as they are for its financial resources. Thus, stewardship in this context pertains to both societal and organisational resources.

As far as managing the organisation's external environmental resources is concerned, this is a critical component in managing an organisation's societal impact and its responsibility to ensure sustainability. By its nature, sustainability is focused on the future and is concerned with ensuring that the choices of resource utilisation in the future are not compromised by decisions taken in the present (Aras & Crowther, 2008; UN Brundtland Commission, 1987). Temel et al. (2021) argue that "among the organisation's system elements, governance has been recognised as instrumental in implementing sustainability in organisations". Finally, governance and sustainability are also both integrated through the "triple bottom line" in the organisation's boardroom (Dyllick & Muff, 2016; Hussain et al., 2018; Landrum, 2017;), though this argument has been associated with a form weak sustainability on the sustainability spectrum (Landrum, 2017).

Despite the view postulated by Shrivastava and Addas (2014) and Morioka and de Carvalho (2016) that corporate governance enhances corporate performance, of which sustainability is a key component, some studies have pointed to either an ambiguous perspective (Yavuz et al., 2024), while others have found no relationship at all (Schaltegger & Synnestvedt, 2002), with some finding an altogether contrary perspective. Several reasons have been cited for these variations in findings, among which include the varying corporate governance mechanisms put in place by organisations and the lack of consensus on what defines corporate sustainability.

As such, exploring the relationship between corporate governance and corporate sustainability will advance the understanding of how the interaction between corporate governance systems and corporate sustainability issues impact corporate sustainability performance.

1.2 SIGNIFICANCE OF STUDY

1.2.1 Business Relevance

The SDGs remain the most unified call for the multiple actors in society to participate in unified action in a bid to drive sustainable development (Mio et al., 2020). In particular, the SDGs highlight the role that businesses can play in galvanising sustainable development through SGD 12, which draws attention to responsible consumption and the view that organisations have a role to play in ensuring that today's consumption does not harm the ability for future

generations to meet their own needs, and for the current generations to have an equitable and wealthy world that is not at the cost of the natural environment (Dyllick & Hockerts, 2002). Additionally, SDG 12 includes target 12.6, which encourages adopting sustainable practices and integrating information on their sustainability initiatives in their reporting cycles (JSE, 2022, p. 11). Dyllick and Hockerts (2002) further assert that progress towards global sustainability has been poor at best, arguing that the business case for sustainability has been one wrought with actions that can be deemed as otherwise inadequate, as these cases focused on how organisations could drive “economic sustainability” by focusing on how they could increase the “ecological and societal efficiency” in their operations. Furthermore, Dyllick and Hockerts (2002) argue that for an organisation to become “truly sustainable”, they need to consider the societal and natural cases for sustainability – the natural case entails operating within the environment's capacity, while the “societal case” for sustainability focuses on how an organisation can have an “absolute” positive social impact.

This perspective is in line with the views shared by Salzmann et al. (2005), who postulate that the business case for sustainability prioritises the organisation's economic benefits, making environmental issues secondary to this economic pursuit. However, they propose a view that in order for a business case for sustainability to be made, organisations need not take a singular view but rather multiple business cases that enable organisations to transition to more sustainable business through one or more of these avenues “(1) sustainable entrepreneurship, (2) business model transformation, and (3) continuous renewal”.

Although there is a growing amount of research on corporate governance, research points to a gap as it pertains to research on understanding the impact of corporate governance on sustainability performance (Aras & Crowther, 2008). Furthermore, Aras and Crowther (2008) postulate that good corporate governance should stimulate sustainability generally. Galbreath (2018) contributes by citing that there is a need to consider, through research, sustainability performance's moderating role on corporate governance and how these concepts connect to overall organisational performance. Therefore, one can infer, as postulated by Munir et al. (2019), that corporate governance as a mechanism impacts corporate sustainability performance to address the needs and interests of all stakeholders. Concurring with these findings is Lu (2020), who asserts that organisations with “stronger corporate governance are more likely to have higher corporate sustainability performance”. Substantiating this view is Aisyah et al. (2022), who argue the benefits for organisations to prioritise integrating sustainable practices into their corporate governance in order to enhance organisational performance. The quality of corporate governance has been linked to how organisations effectively utilise its assets to meet its needs and those of society, which could result in the organisation attracting lower cost of capital, and finally, how the organisation performs overall

(Gregory & Simms, 1999). Arora and Dharwadkar (2011) contribute to this school of thought, arguing that corporate governance acts as a framework for effective decision-making in relation to sustainability practices for organisations, also adding that effective corporate governance enables better monitoring of social and environmental performance, which could strongly influence sustainability performance. Hussain et al. (2018) propose that corporate governance characteristics are integral for improving an organisation's "environmental and social sustainability performance across all industries".

Currently, most large and/or listed organisations report on social and environmental issues and sustainability initiatives through mechanisms such as their sustainability reports. However, challenges remain as to how to clearly articulate the concept of corporate sustainability and, more so, how it should be measured (Antolín-López et al., 2016; Meuer et al., 2019). As such there is mounting pressure from investors (among other stakeholders) for organisations to account for ESG-related issues such as workplace safety, diversity and inclusion and climate change. In response, boards have had to reconsider the corporate governance frameworks and practices within their respective organisations, evolving into reconfigured boards with committees for ESG, as well as added rigour in monitoring the progress made against ESG targets and disclosures (Wiersema & Koo, 2022). Agreeing with this perspective is the International Sustainability Standards Board, who argue that sustainability has become central to an organisation's "investment decision-making". It reaffirms the call for organisations to make comparable disclosures pertaining to sustainability opportunities and risks (IFRS - International Sustainability Standards Board, n.d.). There are a myriad of sustainability frameworks and standards; as a means to offer a standard for South Africa, the JSE developed and published its Sustainability Disclosure Guidance and Climate Change Disclosure Guidance in 2022, citing "the continuously evolving global sustainability standards and initiatives" (JSE Sustainability & Climate Guidelines, 2022). The JSE distinguishes ESG from sustainability quite distinctly, asserting that the concept of ESG is linked with enterprise value, substantiating this perspective by stating that the focus of both IFRS Exposure Drafts (S1 and S2) was on enterprise value. They further state that sustainability has a longer historical context, having existed since around the time of the Brundtland Report and highlight that sustainability is concerned with creating an equitable society and an economy that operates within ecological boundaries (JSE, 2022, p. 13).

Much like the concepts of corporate governance and corporate sustainability, the business case concept is continuously evolving. This follows from the fact that the business case must first consider how organisations achieve profitability. They have to contend with ensuring that their corporate purpose is aligned with sustainability and, finally, whether to engage stakeholders and how to go about doing so (Busch et al., 2023). It is argued that a stakeholder-

orientated approach to sustainability is considered the most effective; by journeying with stakeholders, organisations can devise solutions to current sustainability challenges (Hörisch et al., 2014). Conversely, Busch et al. (2023) argue that “a business case” approach to sustainability can cause those organisations with a narrow point of understanding of the concept to make inadequate shifts, ultimately not advancing sustainability efforts effectively. Additionally, Busch et al. (2023) argue that in order for the business cases for sustainability to be effective, investments made in this regard need to be linked to the organisation's core activities; furthermore, that sustainability is to be "fully integrated into every aspect of the organisation". The JSE argues that the business case for sustainability governance, using disclosure as a governance mechanism, is associated with returns on capital, which is achieved through benefits such as risk management, increased productivity and organisational growth. This is described by their "value drivers for enhanced sustainability performance and disclosure" (JSE, 2022, p. 13).

Table 1: Business Case for Sustainability

Improves	Drives	Delivers
Operational efficiency Employee relations Customer loyalty Supplier relationships Risk management Reputation Innovation	Higher corporate valuation Greater profitability Lower cost to capital	Short & long-term value creation for society and shareholders

Source: Author's own construct - Adapted from: UN GLOBAL COMPACT and Ojwang (n.d., p. 4)

1.2.2 Theoretical Relevance

Bell et al. (2019) argue the importance of theory and research, asserting that theory is, in effect, the manner in which we explain "observed patterns and associations between phenomena". The authors draw attention to the "middle range theory" (Merton, 1976), which is defined by its "application to specific phenomena" and provides "theoretical explanations for social phenomena".

Strides have been made towards understanding the phenomenon of the corporate governance and corporate sustainability relationship, but further research on this relationship is required (Walls et al., 2012).

Exacerbating the challenges facing corporate sustainability studies is the fact that corporate sustainability definitions are regarded as ambiguous and varied, as it means different things to different facets of people because each group has different concerns and, as such, different perspectives on corporate sustainability (Aras & Crowther, 2008; Lu, 2016; Meuer et al., 2019). According to Meuer et al. (2019), corporate sustainability originates in environmental economics and engineering. Additionally, they assert that corporate sustainability, despite marked differences, is related to the field of corporate social responsibility (CSR). An additional layer of complexity is that a broad spectrum of stakeholders, some institutions, academics and governments seem to use the terms sustainability and sustainable development interchangeably or in exactly the same context and, therefore, suggesting that they mean the same thing (Meuer et al., 2019).

At its broadest, the accepted definition of corporate sustainability is concerned with the effect of actions taken today, not adversely impacting the options available to the societies of the future (Crowther, 2002). This view is related to the famous quote, "We do not inherit the earth from our ancestors; we borrow it from our children", which is attributable to many different people. Most organisations interpret sustainability practices through the use of ESG in their corporate strategies – considered a "catch-all" approach by Schaltegger (2006), and again, given the various interpretations of corporate sustainability, these ESG practices are implemented at varied degrees, and these are varied further based on industry or sector, organisation domicile and organisation size. Agreeing with this perspective is Busch et al. (2023), who assert that in order for sustainability to be realised, a level of market preparedness is required. In some instances, certain countries or societies are more equipped than others.

Although Wagner and Schaltegger (2004) hold a contrasting view on the 'automatic relationship' between ESG and financial returns, studies investigating associations between corporate governance and financial performance are certainly the most prevalent. However, it has been inferred that some of the governance challenges that have been recorded in recent times are related to sustainability issues (Buniamin et al., 2011; Ismail & Latiff, 2019; Naciti, 2019). This has been exacerbated by the growing complexity of the business environment, which has resulted in growing debates as to whether organisations should include social issues among their performance metrics. Furthermore, how effectively organisations are currently governed and what type of governance structures need to be put in place to encourage social behaviour (Schaltegger et al., 2017; Walls et al., 2011). As such, according to Shamil et al. (2014) and Al Hammadi and Nobanee (2019), "corporate governance and sustainability performance cannot be considered independently". Additionally, the 2002 UN World Summit on Sustainable Development (WSSD) ensured that

the subject of governance for sustainable development was elevated to the world stage (Elkington, 2006). Due to their importance to key stakeholders, issues such as climate change, human rights and corruption have taken centre stage in many discussions in organisations across the globe, indicating a progressive shift in corporate governance discussions to encapsulate these real-time issues. In some instances, these issues have resulted in changes in regulation (Sustainability Reporting, 2024, p. 6; Walls et al., 2011).

Furthermore, some organisations have recognised the relevance of corporate governance in implementing sustainability strategies due to benefits such as a favourable reputation and lower cost of doing business (Jaimes-Valdez & Jacobo-Hernandez, 2016). Consequently, Jaimes-Valdez and Jacobo-Hernandez (2016) argue that corporate governance has to do with "agreements and the implementation of improvements in all three dimensions of ESG". In their "Sustainability Disclosure Guidance", the JSE integrates governance through disclosures as a mechanism and provides recommendations on the areas its listed entities need to provide disclosures on, namely management, strategy, metrics, performance, targets, and governance (JSE, 2022, p. 31). However, it can be argued that disclosure cannot be automatically associated with quality sustainability reporting (Khan et al., 2020).

1.3 RESEARCH QUESTIONS

Research questions are the backbone of any research study, as they anchor the direction or area of interest the research seeks to explore (Bell et al., 2019). The type of questions asked hinges on the research strategy the researcher selects, the research paradigm, and the type of methodology adopted due to this series of choices (Bell et al., 2019).

The above perspectives were considered pursuant to the research question's development. Additionally, literature gaps were reflected upon such the ambiguous results emanating from some studies as well as arguments by Munir et al. (2019), Jan et al. (2021), Aras and Crowther (2008) and Lu (2020), who assert that good corporate governance is expected to facilitate corporate sustainability in general. Moreover, the views proposed by Yavuz et al. (2024) assert that no evidence supports the notion that good governance "guarantees" corporate sustainability performance. It became apparent that an exploration of the specificities regarding the corporate governance and corporate sustainability relationship is essential.

It has been argued that in order for banks to incorporate sustainability or "social and environmental considerations" in their decision-making processes, a level of governance needs to be at play (Dicuonzo et al., 2022). Additionally, there is a perspective that in light of the long-term nature that sustainability is focused on, bank governing bodies should not only consider sustainability in their decision-making but also consider the long-term risks and challenges posed to the sector by sustainability (Dicuonzo et al., 2022; Jan et al., 2021).

Though strides have been made towards understanding the relationship between corporate governance and corporate sustainability, Walls et al. (2012) acknowledge that despite this, further research on this relationship is required. In order to fully understand this relationship, additional and in-depth exploration is required (Dicuonzo et al., 2022; Hussain et al., 2016).

The main research question for this study was: **Does corporate governance influence corporate sustainability performance in South Africa's banking sector?**

The following sub-questions were identified :

Q1: What type of structures are in place to support the governance of sustainability in South Africa's banks?

Q2: How does corporate governance integrate with corporate sustainability performance in the listed banks on the Johannesburg Stock Exchange (JSE)?

Q3: Is there a positive association between the level of corporate governance and the level of corporate sustainability performance within the banking sector?

1.4 RESEARCH AIM AND PURPOSE

1.4.1 Introduction

It is of intrigue that, among other things, the concepts of corporate governance and corporate sustainability both lack a ubiquitous, universal and agreed-upon definition. Additionally, both concepts are regarded as largely voluntary or guiding principles for good business practice (Yip & Bocken, 2018). Although there is a general acceptance regarding the importance of each concept across sectors and countries across the board, the approach to both concepts in terms of measurement, implementation and level of importance varies vastly – for numerous reasons (Al Hammadi & Nobanee, 2019; Naciti et al., 2021; Shamil et al., 2014).

1.4.2 Research Aim and Purpose

While many scholars have attempted to define this relationship, even with the use of standards like those offered by the Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB) for sustainability reporting, it is difficult to find empirical data that takes consideration the influence of corporate governance characteristics across all three dimensions of sustainable performance (Hussain et al., 2016). The interrelationship between corporate governance and corporate sustainability has been asserted by Shamil et al. (2014), Aras et al. (2018) and Al Hammadi and Nobanee (2019), as an essential consideration for financial services institutions, regarded as the bedrock for economic growth in most economies.

South Africa's financial services sector is the largest in Africa and is considered both sophisticated and developed, and its stability has ramifications across the entire economy. Banks are regarded as integral to the financial services industry, and it is asserted that their influence significantly shapes the course of sustainable development (Aras et al., 2018). It is argued that the banking sector will play an instrumental role in achieving sustainability goals as low-income countries continue to battle numerous planetary challenges, such as the adverse effects of climate change. It is estimated that as the demand for action on climate change gathers momentum, the capital required for financing sustainability-related risks will be significant, thus highlighting the enormity of the role banking can play in enabling the realisation of the SDGs (Van den Berg et al., 2023).

Banks have made noteworthy strides in their sustainability practices. This is evidenced in the growth of the global sustainable finance market, which was valued at USD 4.2 trillion in 2022 (Wadhvani, 2023). Additionally, responsible investing is growing globally. This highlights a shift by investors and issuers to extend the scope of sustainable finance beyond green loans and bonds to having sustainability integrated into the management and governance of organisations (JSE, 2022).

This study aimed to write a theoretical statement regarding the relationship between corporate governance and corporate sustainability performance and make recommendations concerning the mechanisms that would enhance sustainability performance in South Africa's banking sector.

1.5 RESEARCH CONTRIBUTION

It is argued that all research contributes to knowledge; as such, this paper aims to contribute to the existing literature on corporate governance and corporate sustainability by connecting the two concepts through a relationship by exploring whether robust corporate governance leads to better corporate sustainability performance, particularly in the South African banking sector. This paper builds on the following literature opportunities: Johnson et al. (2019), whose study suggests that further research in this regard should consider exploring the relationship between corporate governance performance and ESG in the financial services sector.

Furthermore, this paper builds on the bids to better understand the impact of the relationship between corporate governance and corporate sustainability (Aras & Crowther, 2008; Aras et al., 2018; Lu & Taylor, 2016; Lyon et al., 2018; Munir et al., 2019; Shrivastava & Addas, 2014). In the E-Vahdati et al. (2019) study, the importance of arriving at a framework or model articulating how sustainability integrates into corporate governance remains relevant to future research. A final contribution is based on the gap surfaced by Aras et al. (2018), who noted that previous studies in this regard have been primarily based on data from developed or

developing economies, and by looking at data from South Africa, this study will contribute by exploring how corporate governance integrates with sustainability performance from an emerging markets perspective.

Table 2: Research Contribution – Literature Gaps Identified

Literature Gaps Identified: in “the relationship between corporate governance and corporate sustainability performance”	
Authors	Literature Gap Identified / Study Overview
Aras & Crowther, 2008	Explored the correlation between the concepts of corporate governance and corporate sustainability and were unable to demonstrate a relationship between the two variables.
Lu & Taylor, 2016	The relationship of corporate sustainability disclosure and governance impact on sustainability performance.
Aras et al., 2018	These authors developed a multipronged sustainability disclosure framework for measuring sustainability performance for financial services in an emerging market (Turkey) for reporting purposes – a component of governance.
Jaimes-Valdez & Jacobo-Hernandez, 2016	Who explored the challenges, opportunities and benefits of incorporating corporate governance and corporate sustainability into management practices.
Munir et al., 2019	Assert that research on sustainability and governance is often conducted separately, and not enough attention is paid to the interaction between the two concepts.
Awanis a Rahim et al., 2022	Comparing results of corporate governance and corporate sustainability practices in developing and underdeveloped nations. Also made a recommendation for a sector specific based analysis.
Dicuonzo et al., 2022	A content analysis approach to understanding how European banks have integrated sustainability into corporate governance systems found that there is a growing awareness of incorporating sustainability into corporate governance, albeit in diverse ways, and cited room for improvement.

Source: Author’s own construct

By answering these questions, this study aimed to contribute to the general understanding of corporate sustainability performance through the lens of corporate governance, particularly as nuanced by the emerging market context.

1.6 RESEARCH SCOPE

This study aimed to explore the relationship between corporate governance and sustainability performance in the South African financial services industry. Although the study was focused on the financial services industry in South Africa, it primarily explored the relationship between corporate governance and sustainability performance in the banking sector. To garner the primary and secondary data required, the banks selected had to adhere to the following criteria.

1. Had to be South African financial services provider in the banking industry (domiciled in South Africa and have an international footprint).
2. Had to be JSE listed and compliant with the JSE listing requirements.
3. Needed to have published Sustainability or ESG reports for the 2023 reporting period.
4. It needed to be ranked among the top 15 in terms of market capitalisation and have a significant market share of South African-based clients.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

As previously stated, the role and prominence of corporate governance has evolved over the last few decades as concerns mount regarding the role of organisations in society, encompassing the perspectives of going beyond profit-making. Additionally, there is a growing expectation for accountability from organisations to consider how they manage the duality of shareholder value creation and the need to preserve the resources of the planet and their impact on society (Aras & Crowther, 2008; Beshay, 2024; Jiang & Kim, 2020;). In this section, the research aims to review the literature related to corporate governance, corporate sustainability performance and South Africa's banking sector and explores the relationship between these concepts in South Africa's banking sector. This paper focuses on exploring the relationship between the key constructs of corporate governance and corporate sustainability performance.

Constructs	Corporate Governance	Corporate Sustainability Performance	Sustainability Governance	The Role of Sustainability Governance in SA Banks
Themes Discussed in each Construct	2.1.1. Introduction	2.2.1 Introduction	2.3.1 Introduction	2.4.1. Introduction
	2.1.2. Defining Corporate Governance	2.2.2. Defining Corporate Sustainability	2.3.2. Integrating Corporate Sustainability and Corporate Governance	2.4.2. Corporate Sustainability Performance and Governance
	2.1.3 Corporate Governance Practices	2.2.3. Corporate Sustainability Dimensions	2.3.3. Sustainability Governance Models	2.4.3. Corporate Sustainability Performance and Governance in SA Banks
	2.1.4. Types Corporate Governance Mechanisms	2.2.4. Sustainability Performance Practices		2.4.4. Practical Application of Sustainability Governance
		2.2.5 Corporate Sustainability Integration		2.4.4. Corporate Governance Mechanisms
				2.4.5. Sustainability Focus and Strategy Integration

Figure 1: Literature review roadmap

2.1.1 Defining Corporate Governance

Historically, the definition of corporate governance has been predicated on the agency theory pioneered by Jensen and Meckling (1976), which is a means to understand and manage

possible areas of conflict of interest in the relationship between principles and agents, namely shareholders and company management (Amis et al., 2020). Other schools of thought regard the stakeholder theory (Freeman, 1984) among the theories best used to describe the nature or role of corporate governance. These views are contested by the stewardship theory which postures that the responsibilities of the principle and agent should be integrated, in contrast to the agency theory which argues for the roles of principle and agent are distinct and separate (Crifo et al., 2018). It relies on the view that by allowing directors to maximise their utility, shareholder objectives can be realised (Crifo et al., 2018). Furthermore, in order for managers to optimise shareholder value, they need to have freedom of choice in addition to financial incentives. Finally, managers will reduce agency costs because they will operate in the best interests of shareholders due to their concern for their reputation and the advancement of their careers (Crifo et al., 2018). Seminal definitions of corporate governance are concerned with value creation while managing the interests of shareholders and managers (Aras & Crowther, 2008; Cadbury Report, 1992; Crifo et al., 2018). This view has been challenged as the agency theory model of corporate governance has evolved over time to encompass stakeholders as parties who have a vested interest in how an organisation impacts its society as a whole, a view that includes going beyond profit-making to value creation across ESG characteristics (Kakabadse & Kakabadse, 2011), while Freeman (1984) includes customers and suppliers as part of the stakeholder group of organisations.

Corporate governance is best defined as a system of rules (Cadbury, 2000), an organisational structure (Naciti et al., 2021), complex set of restraints and practices (Zingales, 1988), financial risk management mechanism (Munir et al., 2019; Shrivastava & Addas, 2014), that aims to direct how an organisation utilises, controls and distributes its resources to create value in the interests of shareholders and stakeholders, that is sustainable into the foreseeable future (Kyere & Ausloos, 2020). Corporate governance is also regarded as a coordination framework ("OECD Corporate Governance Factbook 2023", 2023), concerned with transparency and protecting the rights of stakeholders and the "equal treatment of shareholders" (Jaimes-Valdez & Jacobo-Hernandez, 2016; OECD, 2023). It is also argued that good corporate governance is associated with providing incentives for boards and directors to act in the organisation's best interest and as a means to enable effective monitoring (Jaimes-Valdez & Jacobo-Hernandez, 2016).

Therefore, it can be inferred that corporate governance is a strategic mechanism that drives organisational performance, and it is argued that the quality of corporate governance strategies and mechanisms is integral to navigating an organisation in a prosperous direction (Ludwig & Sassen, 2022). ISO 37000 asserts that core outcomes result from the effective application of corporate governance standards, namely "responsible stewardship, ethical

behaviour and effective performance". These are derived from ISO 37000's definition of corporate governance, which aligns with the views proposed by Ludwig and Sassen (2022), arguing that corporate governance is a system that directs an organisation and provides oversight for how the organisation is held to account for "achieving its purpose" (*ISO 37000 Governance of Organizations - Guidance*, n.d.; Jaimes-Valdez & Jacobo-Hernandez, 2016).

2.1.2 Corporate Governance Practices

Corporate governance is often characterised as a term lacking precise definitions, resulting in varying interpretations. It is argued that this ambiguity often leads to challenges in implementing consistent governance practices across different organisations, countries and industries. Concurring with this position are Aras and Crowther (2008), who contend that the measure and definition of corporate governance is subject to debate; however, there is some agreement that "good governance" should at its core create sustainable value, assist the organisation with meeting its objectives, while balancing the need for creating economic value and benefit to society at large (Sukhdeo & Arnolds, 2019). Although regulated, corporate governance practices are often implemented at the discretion of individual organisations, as the principles and codes are a guide of best practice, which are subject to change within the context of the changing business environment (ACCA - <https://www.accaglobal.com>, n.d.). Such an example locally is the King Code, which was initially published in 1994 and sets a yardstick for "effective and ethical" leadership. Despite its numerous iterations, The Code consistently maintains the significant role played by an organisation's board of directors (BoD) and the board subcommittees such as the social and ethics, audit committees and risk management (Naidu et al., 2024). Its applicability is across every organisation in South Africa, including those listed on the JSE, unlisted organisations, trusts and NGOs (Institute of Directors South Africa). This Code has undergone a number of iterations indicative of the Cadbury Report's (1992 p. 1) definition corporate governance, "as changing, and expected to change in the future". Though certain aspects of corporate governance are regulated, The Code serves as a guide and remains voluntary (unless prescribed by law or stock exchange listing requirements).

According to a number of scholars and corporate governance practitioners, the benefits of good corporate governance include (but are not limited to) organisational financial performance, attractiveness to investors, risk management, enhanced reputation, and competitive advantage (Aras & Crowther, 2008; Hussain et al., 2016; Munir et al., 2019; Shrivastava & Addas, 2014). Though literature speaks to the benefits of effectively implemented corporate governance, there is still a vague understanding and application of corporate governance despite the undeniable and significant influence organisations have on

society. Additionally, due to its loose definition, the concept of corporate governance is subject to varying interpretations. According to Haniffa and Hudaib (2006), this interpretation is based on a nation's context which dictates its economic priorities, and this differs across different parts of the world, particularly when you compare developed and emerging economies. The authors highlight that governance practices or behaviours are usually formed at a country level – as a "framework of legal, institutional and cultural factors shaping the patterns of influence that stakeholders (e.g. managers, employees, shareholders, creditors, customers, suppliers and the government) exert on managerial decision-making" (Beshay, 2024; Haniffa & Hudaib, 2006; Jiang & Kim, 2020).

Another integral and possibly overlooked aspect of organisational governance implementation is the organisation's cultural norms, which are also influenced by its history and business goals (Jiang & Kim, 2020). However the most prolific challenge is that "good corporate governance" is a subjective concept and thus difficult to measure. This is despite the factors or variables or mechanisms such as Chief Executive Officer (CEO) and Chairperson segregated roles and responsibilities, Boards of Directors and the composition of boards, the size and independence of boards, the requisite committees, level of assurance and disclosure (Bhagat & Bolton, 2019; Naidu et al., 2024). These measures have been criticised for various reasons for being "incomplete" or "lacking in country context" and for ignoring "validity and reliability" (Bhagat & Bolton, 2019; Black et al., 2017: p. 397; Naidu et al., 2024).

2.1.3 Types of Corporate Governance Mechanisms

Corporate governance has been defined broadly and regarded as the responsibility of the board or senior management. However, emphasis needs to be given to the concept that, by virtue of organisational complexity, governance itself needs to be fit for purpose and, as such, can take various forms or come as various mechanisms (Hooghe & Marks, 2010; Institute of Directors South Africa, 2021).

Connelly et al. (2010) add that governance structures span multiple levels and can fall into either internal or external mechanisms. Each charged with the same outcome of achieving the organisations objectives, the internal structures or mechanisms are argued to be the organisation's ownership structure, the board of directors, internal trade unions, the chief executive and senior leadership structure and in some instances performance based remuneration systems. These mechanisms are usually utilised as a monitoring mechanism or to provide oversight through the use of policies or guidelines and the segregation of control to ensure that the business operations are on track (Ahmed & Gábor, 2011; Crifo et al., 2018; Hooghe & Marks, 2010; Klettner et al., 2013). In most organisations, the highest level of internal governance is with the board of directors; they are charged with charting the

organisation's strategic direction for management to execute (Oosthuizen, 2014). Aspects such as the role and size of the board, as well as its level of diversity, have been argued to have an impact on the organisation's ability to meet its objectives. This is due to the board's supervisory, strategy setting and monitoring role (Dicuonzo et al., 2022). Studies have also linked the success of sustainability strategy embedment when the composition and independence of the board are aligned to best practice guidelines. Additionally, the aspect of female representation and inclusivity has been argued to engender appropriate risk mitigation and prudent financial decision-making approaches (Dicuonzo et al., 2022; Janggu et al., 2014). Furthermore, studies have considered the role of organisational leadership and its impact on corporate governance application and implementation (Farah et al., 2021).

The external mechanisms regarded as a result of market forces, which include the country's regulatory environment, civil society, investor pressure, activist investors, reputation, and consumers (Aras & Crowther, 2008; Connelly et al., 2010; Crifo et al., 2018; Manna et al., 2019; Whipple et al., 1999), as well as the market for executives, which is associated with talent and rewards, and the market for acquisition which is associated with the mergers and acquisitions landscape for the country (Crifo et al., 2018). Furthermore, growing evidence suggests that information disclosure and its quality acts as an external corporate governance mechanism; this is evidenced by the growing number of sustainability reports produced by both profit-driven and non-profit organisations in the last two decades (Khan et al., 2020). Another external mechanism is an organisation's ability to manage its debt or debt financing (Ahmed & Gábor, 2011; Jensen, 1986; "What Are the Different Types of Governance Structures That Exist?" 2020).

Despite organisational size, it is found that certain aspects of governance are delegated or dispersed to enable operations (Connelly et al., 2010; Meier et al., 2004). The term "multilevel" governance emerged in literature in the early 1990s, best associated with organisations that are characterised by scale and multijurisdictional geographies, as well as the requirement to coordinate multiple organisational levels, various stakeholders and organisational value chains (Duit & Galaz, 2008; Meier et al., 2004; Naciti et al., 2021). Additionally, governance structures and systems "encompass multiple levels" within an organisation" (Duit & Galaz, 2008; Meier et al., 2004; Naciti et al., 2021). Substantially, Manna et al. (2019) argue that corporate governance is concerned with shareholder accountability, delegation of authority, assurance, performance measurement, and reporting requirements. Additionally, decision-making is decentralised for a multitude of reasons, requiring that authority be delegated (Hooghe & Marks, 2010).

2.2 CORPORATE SUSTAINABILITY PERFORMANCE

2.2.1 Introduction

Despite the increasing interest in the topic of sustainability as well as the compelling scientific, moral and business cases for why organisations should adopt corporate sustainability (Landrum, 2017), this concept, much like that of corporate governance, remains ambiguous. This is due to the view that businesses understand the concept differently and thus implement sustainability differently, unique to their context (i.e. worldviews, country of origin and organisation size), as well as based on the concerns of their stakeholders (Aras & Crowther, 2008; Landrum, 2017; Lu & Taylor, 2015; Purvis et al., 2018). Contrastingly, however, is that sustainable development and conservation are viewed as paradoxical by some academics, NGOs and other stakeholders (Ololade & Annegarn, 2013).

2.2.2 Terminology: Defining Corporate Sustainability

The term sustainably causes a lot of confusion due to its evolution over time as well as the varying terms used by academics, government and corporates for "sustainability", such as "sustainability" and "sustainable development", which can be seen used interchangeably or regarded as synonymous (Aras & Crowther, 2008; Purvis et al., 2018). According to Halme et al. (2020), the academic community has not yet been able to identify the internal business practices that promote sustainability. An additional layer is the view that corporate social responsibility (CSR) is concerned with sustainability; thus, the terms CSR and corporate sustainability are used interchangeably (Landrum, 2017). This is particularly because CSR is regarded as a multifaceted approach to spanning economic, social and environmental performance dimensions, similar to that of the triple bottom-line (Schaltegger & Burritt, 2005). There is an argument that the literature has not sufficiently addressed the discrepancies in the definitions and concepts of sustainability, such as environmental management, corporate social responsibility, and corporate sustainability (Landrum, 2017).

Corporate sustainability has been defined according to the "triple bottom-line", by the American Institute of Certified Public Accountants (AICPA) to encompass "consideration of (1) economic viability, (2) social responsibility, and (3) environmental responsibility (AICPA, 2013). The complexity arises from the fact that corporate sustainability is defined in the triple bottom-line using a multidimensional perspective, which exacerbates its inherent complexity (Carmine & De Marchi, 2022). Closely associated with this perspective is that of the Brundtland's report's (1987) definition of "sustainable development", which requires the integration of the triple bottom-line - economic, social, and environmental impacts of an organisation's activities - into an organisation's day-to-day operational management, decision making and overall management approach (Antolín-López et al., 2016; Elkington, 1998). To

be considered sustainable, an organisation must satisfy all three principles converging at the triple bottom line (Carminé & De Marchi, 2022). According to Bansal (2005), economic development cannot be considered sustainable if an organisation fails to satisfy even one of these principles. The triple-bottom-line remains prevalent in literature concerned with corporate sustainability, though the evolution of sustainability as a concept now regards TBL as a form of weak sustainability (Landrum, 2017). A more holistic definition is that of the JSE, which argues that sustainability requires a "systemic change in the achievement of a more equitable society and economy" (JSE, 2022, p. 10).

Saulick et al. (2023) define "sustainable development" as the "processes" and "pathways" or "actions and behaviours" (Demastus & Landrum, 2023) to achieve sustainability, which requires organisations to balance the interactions between the triple bottom-line pillars (Dyllick & Hockerts, 2002), also referred to as the 3Ps approach – profit, people, planet (Antolín-López et al., 2016). As expected, the definition of sustainability by WCED is the most widely accepted despite the complexity and absence of a single, agreed-upon definition. In WCED (1987), sustainability is referred to as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

The role of organisations in facilitating the achievement of the SDGs is widely acknowledged (Waddock, 2020), with the KPMG SDG Industry Matrix 2017 stating that opportunities for business participation in the achievement of the SDGs in the fact that organisations can play a role across all the SDGs. It is important to note that each individual and society has its role and responsibility in ensuring the realisation of global sustainable development. Boldly, Grewal and Serafeim (2020) assert that "sustainability is the intentional strategy a business undertakes to create long-term value through improved societal and environment impact". This argument aligns with the approach followed by some organisations that utilise corporate sustainability as a vehicle to contribute to global sustainable development challenges (ISO, 2009), such as natural resource depletion and poverty eradication (Morioka & De Carvalho, 2016). According to Dyllick and Hockerts (2002), business sustainability is an expansive term that translates the idea of sustainable development at the organisational level and proposes the following definition for sustainability at an organisational level: "adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future" or "meeting the needs of a firm's direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well".

Some corporate sustainability researchers have made advances in integrating sustainable development into corporate environments by developing new constructs, such as

"sustaincentrism" (Antolín-López et al., 2016), closely linked to this are terms such as "ecological sustainability", which surfaced as early as 1995 in an Academy of Management Review special issue (Gladwin et al., 1995), and "corporate sustainable development" (Bansal, 2005), all of which signify the shifts in corporate strategies to focus on sustainability (Antolín-López et al., 2016). The nature and influence of organisations on society at large is documented widely, with the SDGs making specific recommendations for the role of organisations in attaining sustainable development. Bansal and DesJardine (2015) agree with this perspective, stating that organisations need to find a balance between operating in the best interests of stakeholders and adhering to sustainable development guidelines. This would entail focusing corporate strategies, business management, and performance management on sustainability. Furthermore, sustainable organisations balance the long-term objectives of sustainable shareholder value, society and environmental conditions, and stakeholder interests (E-Vahdati et al., 2019; Sustainability Reporting, 2024; World Business Council for Sustainable Development, 2019).

As it pertains to banking, banks are regarded as instrumental in the achievement of the SDGs. Particularly, SDG 12 which advocates for corporate (banks) to direct their investments towards sustainability goals. Additionally, it is argued that in order to reach South Africa's SDG 12 target, corporates must adopt best practices, create clear pathways to internal targets, benchmark against industry peers and transparently publish progress towards these targets in line with the Chief Financial Officer (CFO) Coalition for SDGs (Global Compact Network South Africa et al., n.d., p. 16). Banks play an intermediary role and are at the helm of mobilising finance towards driving the outcomes of the SDGs. It is this then that led to the definition of the concept of sustainability for banking, which has been labelled "sustainable banking", which is defined as the provision of "financial products and services, which are developed to meet the needs of people and safeguard the environment while generating profit" (Yip & Bocken, 2018, p 150).

2.2.3 Sustainability Performance Dimensions

Büyüközkan and Karabulut (2018) define sustainability performance as an "aggregated view of an organisation's negative or positive bottom line of economic, environmental and social impacts against a defined baseline". Similar to the challenges previously cited regarding the loose definitions of sustainability and corporate governance concepts, the same is true of how sustainability is evaluated (Büyüközkan & Karabulut, 2018). The authors offer a framework for assessing sustainability performance that takes into account the "quantification of an organisation's total performance based on performance indicators", which include economic, social, and environmental outcomes derived from the organisation's decisions, policies,

frameworks, and actions. The inclusion of economic indicators in the measure of sustainability is one argued by Aras and Crowther (2008), who assert that for an organisation to be sustainable, it has to consider its financial health as an indicator of performance. That is, "an adequate return must be derived for the level of acknowledged risk". According to Büyüközkan and Karabulut (2018), the principle of sustainability accounting is a method of gathering and evaluating sustainability performance data. The authors associate sustainability accounting with data collection for the purposes of determining performance indicators and the assessment as the analysis of the collected data and ultimately culminating in the ability for an organisation to report or disclose performance, to assist with decision making or finally, as a communication tool for the organisation (Büyüközkan & Karabulut, 2018; Jan et al., 2021; Naciti et al., 2021;).

Therefore, in order to fully understand an organisation's sustainability, one cannot disregard the financial component of sustainability or the rigorous nature of the organisation's governance structure (Aras & Crowther, 2008). Additionally, this aspect of financial resilience and this holistic view on the components comprising sustainability performance that Grewal and Serafeim (2020) compiled from the work of Wood (1991, p. 693). The authors offer the following understanding of sustainability performance, which they assert is comprised of three concepts, "(1) why an organisation engages in certain activities (e.g. purpose, principles or values), (2) the inputs to generate an intended outcome (e.g. policies, and processes) and finally, (3) the outcomes themselves (e.g. reduced greenhouse emissions)".

Complementary to these views above are the GRI standards, which are a set of guidelines that enable organisations to report on their environmental, social and economic disclosures, and these have been universally accepted (Büyüközkan & Karabulut, 2018) as standard practice among the South African banks. Much like most frameworks or guidelines, the GRI also has its shortcomings despite its proliferation due to its iterative nature aligned with the complexity and evolving nature of sustainability and sustainability performance (McElroy et al., 2008). Other generally accepted sustainability performance evaluation frameworks include the Carbon Disclosure Project (CDP) and the Financial Stability Boards' Task Force on Climate-related Financial Disclosures (TCFD), aimed at disclosing climate-related financial risks. These are voluntary mechanisms for sustainability performance evaluation, which have been adopted by the local banks. This is detailed in section 2.2.4 of this paper.

2.2.4 Corporate Sustainability Performance

It is natural to assume that given the opacity of the definition of sustainability, the implementation of sustainability would be equally as complex to pinpoint. If we take the aforementioned definitions of sustainability, the view of it being intentional (Grewal & Serafeim,

2020), and the creation of long-term mutually beneficial value then perhaps we can attempt to understand sustainability practices.

It is argued that organisations the world over though having embraced sustainability, the topic of how it should be implemented remains the subject of debate (Ciasullo et al., 2020). In most instances, organisations have made attempts to achieve sustainability by undertaking various activities, by either honing in on specific aspects within the organisation or those activities that are deemed to warrant focus or implementing various instruments, mechanisms and procedures (Stewart et al., 2016). Some of these include company sustainability reports, sustainability frameworks, GRI, ISO 37000, the OECD (Demastus & Landrum, 2023; Grewal & Serafeim, 2020). As such, the absence of a clearly articulated, standardised and measurement framework that is comparable across industries, gives rise to inconsistent measurement of this multidimensional construct (Grewal & Serafeim, 2020).

Organisations implementing sustainability are often faced with balancing conflicting priorities ranging from differing stakeholder priorities, such as short-term gains vs. long-term orientation (Demastus & Landrum, 2023); additionally, tensions can arise because the implementation and planning of sustainability efforts span different organisational levels or can result in organisations having multiple and sometimes contradictory objectives (Carmine & De Marchi, 2022). In their work, the authors Grewal and Serafeim (2020) critically reviewed work done in an attempt to measure sustainability performance; their analysis surmises that ESG performance scores measure input and not the outcomes sustainability performance is intended to drive. Furthermore, they find that ESG performance scores are not standardised and, as such, vary across providers, making them incomparable. Significantly, they studied the impact of disclosure on sustainability performance and found that disclosure did not equate to transparency for organisations that disclose more sustainability metrics as a result of the discrepancies in scores (Grewal & Serafeim, 2020).

Though regarded as imperfect, the SDGs are regarded as a unified aspiration for prosperity for all, including the earth and its natural ecosystem (Waddock, 2020). The South African banks have adopted the UN SDGs as a guiding principle for their sustainability agendas. However, much like most organisations, banks grapple with similar challenges as it pertains to sustainability; as argued by Ward et al. (2019), sustainability implementation is nuanced based on how the organisation interprets it, the local context and stakeholder priorities. Much like its international counterparts, the local banking sector has adopted voluntary industry-led initiatives informed by international initiatives such as the 2003 Equator Principles and the United Nations Environment Programme Finance Initiative (UNEP FI). Additionally, the sector has taken on multiple frameworks and standards, both of which can be differentiated as

follows: frameworks "are guiding principles to frame or contextualise information, while standards are regarded as "specific and detailed criteria on what should be reported", finally ranking agents raters are understood to be "a score of ESG performance based on information that companies disclose using reporting standards or frameworks" (Siew, 2015; Sustainability Reporting, 2024, pp. 4–5). Despite this, with this amount of coordination, the approaches to sustainable banking vary considerably between emerging and developed markets and even among the developed markets (Aras et al., 2018; Dicuonzo et al., 2022).

In their recently published report, "Private Sector Contribution for South Africa's 2024 Voluntary National Review on Sustainable Development Goals", the UN Global Compact Network South Africa assessed the adoption rate of a number of sustainability frameworks. Their findings demonstrate that in South Africa, B-BBEE (Broad-Based Black Economic Empowerment) has the highest adoption rate at 92.9%, followed by UN SDGs at 80%, and King IV (King Report on Governance for South Africa) at 62.5% and IFRS (International Financial Reporting Standards) at 60%.

They further analysed the likelihood to adopt aspects of sustainability frameworks with the findings detailed in Table 3 highlighting the nuances in measuring and implementing sustainability performance. Similarly, Stewart et al. (2016) argue that the challenges with sustainability strategy implementation are ubiquitous across industries and businesses, particularly with regard to strategy, which usually takes a long-term view. It has been argued that this long-term approach is marred with failure to illuminate the complexities involved with sustainability strategy implementation, even in organisations and industries with CEO support for corporate sustainability performance (Dicuonzo et al., 2022; Siew, 2016).

Table 3: List of Sustainability Frameworks, Standards and Guides (VRN)

Sustainability Framework	% Of Companies Who Have Adopted	% Future Intention To Adopt	No Current Plans To Adopt	Adopted by all banks in study
B-BBEE – Broad-Based Black Economic Empowerment	92,9%	0,0%	7,10%	●
SDGs – UN Sustainable Development Goals	80,0%	20%	0	●
King IV – Responsibilities of Governing Bodies	62,5%	12,5%	25%	●
IFRS – International Finance Regulatory Standards	60%	0,0%	40%	●
TCFD – Task Force on Climate-related Financial Disclosures	50%	0,0%	50%	●
The Ten Principles – UN Global Compact	46,7%	40%	13,3%	●
SASB – Sustainability Accounting Standards Board	46,7%	13,3%	40%	●
CDP – Carbon Disclosure Project	46,7%	6,7%	46,7%	●
GRI – Global Reporting Initiative	40%	13,3%	46,7%	●
JSE – Climate and Sustainability Disclosures	37,5%	18,3%	43,8%	●
US Securities and Exchange Commission	33,3%	0,0%	66,7%	●
ISSB – International Sustainability Standards	26,7%	26,7%	46,7%	●
SEE – The JSE Sustainable Stock Exchange Initiative	18,8%	12,5%	68,8%	●
PRI – Principles of Responsible Investment	13,3%	6,7%	80,0%	●
CDSP – The Climate Disclosure Standards Board	12,5%	6,3%	81,3%	●
EP – The Equator Principles	6,7%	0,0%	93,3%	●
ESRS – European Sustainability Reporting Standards	6,3%	18,8%	75,0%	●
UNCTAD – Investment Policy Framework	6,3%	6,3%	87,5%	●
ISO 26000 – Social Responsibility Guidance Standard	0,0%	18,8%	81,3%	●

Source: Adapted from Private Sector Voluntary National Review Analysis of Participating Company Contributions (Global Compact Network South Africa et al., n.d., p. 29)

This multitude of standards, guides, and frameworks only compounds the concept of consistency in reporting for sustainability performance, which hinders the consensus on what constitutes sustainability performance (Grewal & Serafeim, 2020).

2.2.5 Corporate Sustainability Strategy Integration

As discussed, organisations exist to create value in the long term; this is a core strategic imperative. They do this by considering their external or market dynamics and internal capabilities, enabling them to adapt and evolve, ensuring long-term survival and value contribution (Baumgartner & Rauter, 2016; Lloret, 2015; Saulick et al., 2023). This has naturally resulted in various guidelines and frameworks. Arguments regarding sustainability strategy present the logic that these strategies can either be in the vein of “concrete and practical actions” or those that generate “favourable planning and management outcomes” (Korhonen, 2004). The strategy describes the choices an organisation must make and the trade-offs it must consider in order to achieve its long-term and short-term objectives. The use

of the term strategy means that organisations have defined their overall goal and future state (vision) and have articulated a plan (the choices it will make) to achieve this desired future (Baumgartner & Rauter, 2016). Strategy is also considered the ability of an organisation's activities to align and complement one another in order to fend off competition, attract customers and create value in the long term (Lloret, 2015). At its core, sustainability as a concept is concerned with the long-term (Demastus & Landrum, 2023; Lloret, 2015) and can, in this vein, be associated with strategy. The decision to choose sustainability is to reduce the impacts of the organisation's activities on society and the environment by integrating these considerations into the long-term and short-term organisational goals (Saulick et al., 2023). This includes ensuring that these goals are also set at an operational level, across business departments and communicated across the business (Saulick et al., 2023).

Although a multitude of literature exists offering perspectives of why it is essential for organisations to voluntarily adopt responsible business practices, conversely, it has been argued that not much literature exists as to how best and comparably practically implement these practices in organisations (Klettner et al., 2013). In implementing their sustainability strategies, it has been postulated that organisations generally adopt a risk management or risk mitigation, efficiency-enhancing approach or adapt their practices to ensure compliance (Dicuonzo et al., 2022). Additional challenges cited include those associated with organisational alignment, subject matter knowledge on the topic of sustainability and a universally applicable definition of success on the matter (Cici & D'Isanto, 2017; Dicuonzo et al., 2022; Jaimes-Valdez & Jacobo-Hernandez, 2016; Klettner et al., 2013). Among the prescripts available to organisations regarding how to integrate corporate sustainability into their corporate strategies is the UN Global Compact's road map. According to the UN Global Compact, the integration of sustainability into strategy – which they define as "the deliberate or emergent choices (purpose, priorities, goals) that are deliberately made to position the business, brand or product for 'sustainable' (enduring) competitive advantage and value creation" (Roadmap for Integrated Sustainability | UN Global Compact, n.d.). The roadmap proposed has "5 levels of sustainability integration" and provides guidance across internal factors such as "operations and culture", as well as "which functions to prioritise". Significantly, this roadmap makes a case for sustainability and governance, arguing the CEO's and BoD's role in ensuring sustainability is integrated into the organisation and further proposing mechanisms to do so such as "communication, goal setting, vision setting, change management, oversight of integration in prioritised areas, and coordinating functional roles and priorities" (Roadmap for Integrated Sustainability | UN Global Compact, n.d.). Further guides include the International Federation of Accountants® (IFAC), which provides "five pathways" for the integration of sustainability into organisations. Their guide suggests that in

order for sustainability to be integrated into an organisation, the business model of the organisation needs to be understood, as well as the ability to articulate the organisation's material issues, focusing on ensuring that products and services are designed with sustainability in mind, and cultivating an organisation-wide culture of sustainability shift and finally integrated reporting (Cici & D'Isanto, 2017; Vitolla et al., 2019). Local guidelines include the JSE sustainability disclosure guidelines – focused reporting, materiality, and governance, to name a few. Locally, the JSE provides a guide on its expectations of listed firms in South Africa as it pertains to sustainability performance disclosure, outlining "environmental, social and governance metrics" as areas organisations must consider in order to be robust in their sustainability disclosure (JSE, 2022).

Consequently, though there are several frameworks and guidelines, the decision on how and whether to implement sustainability is often left up to the organisation to decide (Klettner et al., 2013). However, there is a progressive view that sustainability has now gone beyond compliance and is at the helm of "strategic proactiveness and transformation of organisations" (Klettner et al., 2013). This is evidenced by the growth in the awareness of banks to include sustainability-related matters in their corporate governance systems; among some of the reasons cited are the influence of the board, the well-established processes and policies regarding risk and remuneration within banks (Dicuonzo et al., 2022).

Klettner et al. (2013) postulate that regarding financial institutions, integrating sustainability into organisational business models is an integral objective, citing the importance of a business model overhaul that is necessitated as it pertains to strategic direction, core business processes and integrated reporting. And that one cannot distinguish sustainability from the business strategy and model. As such, as postulated by Cici and D'Isanto (2017), the integration of sustainability is "evolutionary" and is framed as an opportunity necessitated by the changes or evolving and dynamic environment of business. They continue to argue that sustainability integration is associated with the "capability to endure". Finally, the findings of Dicuonzo et al. (2022) suggest that corporate governance is an attribute of sustainability, promoting transparency and compliance. They also find positive associations between board size and composition and sustainability integration in banks' decision-making processes. Substantiating this perspective regarding the interrelated nature of sustainability and strategy are Temel et al. (2021), who postulate that not only is governance a critical component in implementing sustainability practices in organisations, they also draw from Lozano (2018) to provide a broad definition of sustainability to include what they regard as the "four dimensions of sustainability (economic, environmental, social, and time), and the system elements (operations and production, organisational systems, service provision, strategy and management, assessment and reporting, and governance)". From this definition, one can infer

that these two concepts are interrelated in the strategy and management dimension, which encompasses governance.

2.3 INTERSECTIONS BETWEEN CORPORATE GOVERNMENT AND CORPORATE SUSTAINABILITY: SUSTAINABILITY GOVERNANCE

2.3.1 Introduction

The role of corporate governance has evolved in the last few years from being a comprehensive way of monitoring business operations, including how they affect society and the environment, to becoming crucial to the development and execution of corporate strategy. Which also encompasses how organisations interpret, implement and measure corporate sustainability, and manage stakeholder tensions. Over time, the idea of sustainability has evolved as well. Until a few years ago, it was generally accepted that a business had an ethical duty to consider its impact on the environment, even if that impact had no influence on the organisation's strategy or expectations from the market. In other words, the impact on the environment was only considered ethical or legal. This parallel evolution of the concepts of CG, on the one hand, and of sustainability are indicative of the evolving nature of the business world, global sustainability and governance practices and advancements (JSE Sustainability & Climate Guidelines, n.d.; Naciti et al., 2021).

2.3.2 Integration between corporate sustainability and corporate governance systems

Due to multiple governance failures in the past, the concept of corporate governance has evolved to encompass more effective supervision of organisational activities, including their impact on the environment and society. This additional corporate sustainability aspect often arises from stakeholder demands. Additionally, according to Crifo et al. (2018), an organisation's decision to adopt a more socially responsible stance is influenced by corporate governance considerations. Moreover, based on how corporate governance establishes the frameworks and guidelines that influence management responsibility and decision-making, Crifo et al. (2018) suggest that, given the growing significance of corporate sustainability, corporate governance may be particularly important. This perspective is echoed by Iansiti and Levien (2004); this shared perspective pertains to corporate governance's function in promoting corporate strategy and the increasing integration of corporate governance into companies' pursuit of their objectives and connections with different partners in their value chain. In other words, the role of corporate governance is to ensure processes are in place to enable all the organisation's stakeholders to work together; these stakeholders are typically connected to one another (E-Vahdati et al., 2019).

Kamarudin et al. (2021) agree with the view that there has been a piqued interest in the literature on the intersection between cooperate governance and corporate sustainability. Notably, the literature acknowledges the essential role that organisations must play in enabling sustainability and the role of governance - as a strategic function - in facilitating this. Consequently, this has given rise to discussions regarding "sustainability governance", which, according to the European Commission 2022, is the "integration of environmental, social and governance (ESG) issues in governance systems" (Dicuonzo et al., 2022). The key component of sustainable governance is the legitimacy factor, which refers to an organisation's actions for society's acceptance via efficaciousness and voluntary disclosures (Juerges & Hansjürgens, 2018). Consequently, Wang and Ran (2018) suggest that it serves as a useful tactic for overcoming obstacles and enhancing performance and competitiveness (Khan et al., 2022).

Expanding on this perspective is Sánchez et al. (2020), who defines seven corporate governance factors associated with enabling sustainability. They identify the importance of having a clear corporate vision and mission, accompanied by reporting, policies, a board of directors, a person in charge, a department and communication among the factors associated with the successful implementation of sustainability in organisations. Klettner et al. (2013), Farah et al. (2021), and Aguilera et al. (2021) found similarly that factors such as communication through reporting enable sustainability performance, in addition to stakeholder engagement and leadership.

2.3.3 Models of Sustainability Governance

Corporate governance as it pertains to corporate sustainability performance is concerned with the creation of a sound corporate governance framework aimed at providing instruments to improve an organisation's ability to contend with long-term sustainability challenges (Aras & Crowther, 2009; Lloret, 2015; Naciti et al., 2021).

Despite their inconclusive findings, Crifo et al. (2018) argue that corporate governance and corporate sustainability performance cause tensions, given that both concepts seem to serve or are associated with managing the relationship between the organisation and its stakeholders or shareholders. The tension they assert is that management is often divided as to whose interests should take priority. Furthermore, Crifo et al. (2018) argue that the ability of an organisation to generate financial performance is an outcome of how it manages the tensions among its critical stakeholders across the organisation's "strategic dimensions", namely, "resource-base", characterised by customers; employees; investors; "industry-supply", which is characterised by regulatory bodies, unions, supply chain partners and, the "socio-political environment", characterised by non-governmental organisations, communities

and governments. The authors postulate that the voluntary nature of the first two dimensions and the involuntary nature of the latter suggest that governance would positively impact corporate sustainability due to the synergies among the voluntary stakeholder groups. However, governance would adversely impact sustainability should there be a conflict in priority between the involuntary and voluntary stakeholder groups.

Lloret (2015) argues that for corporate sustainability implementation, organisations need to consider governance in the form of the "institutional-based view", which requires the adherence to a combination of what they define as "soft regulation -based on informal institutions" as well as "hard regulation - based on formal institutions". They postulate that through these intuitions, organisations and people "behave" complicity with the set standards and norms and that corporate governance has a causal relationship with complicity to soft and hard regulations (Lloret, 2015).

2.3.4 Sustainability Performance Governance Mechanisms

As discussed, there is a view that in order for sustainability to be realised, it has to form part of an organisation's practices. With some scholars defining these practices as integration into strategy or business model, others arguing the perspective of forming part of its day-to-day practices cannot be seen as a separate part of the organisation (Dicuonzo et al., 2022; Saulick et al., 2023). Consensus exists, however, because corporate sustainability is concerned with the long-term and needs to be monitored, measured and managed (Dicuonzo et al., 2022; Schrippe & Ribeiro, 2018). The introduction of corporate sustainability governance is a term coined for how organisations can integrate sustainability into their corporate governance systems, which some organisations and banks have done through ESG and risk management processes (Dicuonzo et al., 2022; European Commission, 2020).

Some of the governance mechanisms identified as enablers of sustainability governance include "soft and hard" regulations, as mentioned (Lloret, 2015). Progressively, however, several scholars have framed the corporate governance mechanisms that best catalyse corporate sustainability performance into organisational practices, terming them the "seven governance factors". These factors include the organisation's "mission and vision; reporting and communications; board of directors; policies and guidelines; leadership or person in charge or champion; having a sustainability department (Aguilera et al., 2021; Crifo et al., 2018; Dicuonzo et al., 2022; Farah et al., 2021; Freeman, 1984; Klettner et al., 2014; Naciti et al., 2021; Sánchez et al., 2020; Shrivastava & Addas, 2014). Each of these factors is interrelated, playing a critical role in facilitating both the internal and external mechanisms for the successful implementation of corporate sustainability (Lloret, 2015; Naciti et al., 2021).

2.4 THE ROLE OF SUSTAINABILITY GOVERNANCE IN SOUTH AFRICAN BANKS

2.4.1 Introduction

Among the key reasons that governance is critical in banks is that banks are regarded as having a differentiated approach to governance from nonfinancial organisations. Additionally, corporate governance is regarded as a fundamental need due to the unique characteristics and the complexity of the activities carried out by banks (Laeven, 2013). It is postulated that conflict of interest issues are more pronounced in the banking sector than any other. Consequently, the same can be assumed of agency costs (Dicuonzo et al., 2022). Since banks significantly impact a nation's economy and financial system, they are subject to stringent laws and regulations. It is additionally speculated that an effective governance structure within a bank decreases the possibility of insolvency through lower agency costs (Dicuonzo et al., 2022). It is important to note that both concepts of governance and sustainability remain primarily voluntary. However, considerable effort has been taken to manage the implications of both concepts on banks through initiatives such as the National Treasury's initiative on sustainable finance.

2.4.2 The South African Banking Sector and Sustainability Governance

The financial services industry, particularly banks, is pivotal in enabling corporate sustainability initiatives in organisations Aras et al. (2018). Initially, banks had tackled their business case for sustainability by focusing on their internal operations through cost-saving and efficiency-driving initiatives. Their aim was to influence their clients to reduce their "environmentally induced" costs, reducing credit risk. This posture evolved due to regulations as growing emphasis was placed on lenders to disclose contamination at sites used as collateral (Weber, 2014). Banks have since progressed, though given their massive influence over economies, the industry has progressed slowly in adopting sustainability principles in the eyes of many. This substantiated by The Bank of England (2018, p. 3) who stated that as it pertains to identifying and measuring climate change risks "comprehensibly", the banks still had "some way to go".

Although inroads have been made in this sector, as evidenced by outcomes of Dicuonzo et al. (2022), whose findings indicated the increasing awareness for banks to integrate their sustainability issues into their corporate governance processes as driven by the bank's board of directors. This is no different in the South African banking sector, which is said to be a "proxy for the economy" (Nicolò et al., 2024; Ward & Naude, 2019), as its role in advancing the country's sustainability agenda in an ethical and prudent manner is critical. This is evidenced in the applicability of the particular principles in the King IV code of corporate governance, namely principles 3, 4, 12 and 17. Principle 3 highlights the crucial role governing bodies play

in ensuring that organisations are run as good corporate citizens; Principle 4 illustrates the relationship between sustainable development and value creation; and, finally, Principle 17 holds institutional investors accountable for advancing sustainable value creation and good corporate governance in the companies they invest in. Each outlines the role of sustainability governance within the sector (Ward & Naude, 2019). Additionally, KPMG International and the UNGC identify four categories where the financial services industry can address the implementation of the SDGs, namely “financial inclusion; financing renewable energy and sustainable infrastructure; including sustainability risk analyses in financial decision making and influencing corporate clients to address environmental, social and governance (ESG) criteria in their businesses” (Weber & Centre for International Governance Innovation, 2018).

In agreement with this view is Buallay et al. (2020), who asserts that with regard to sustainable banking, banks implement sustainability in economies by affecting sustainability practices in their internal operations and externally through investment decisions by considering ESG risks. In a report assessing South Africa's "big 4" banks' governance and strategy relating to "climate change leadership" (among some of the study's indicators), it was found that out of a total of twenty, the local banks performed poorly, with the highest score being attributed to First Rand Group, scoring 13 out of 20 (Just Share, 2023). This indicator assesses how the local financial institutions direct financial flows from high-carbon industries and projects to those considered more sustainable industries. This study is important as it assesses – within this indicator – how the banks have embedded sustainability in their strategy by assessing board member's ESG related competencies, whether remuneration targets are linked to the bank's climate change targets; how much the banks support gas as a transition fuel; the degree to which the banks assess the resilience of their strategies and targets and iterate these strategies as required, and how many of the bank's board members are conflicted by servicing on other boards in fossil fuel companies (Just Share, 2023).

The importance of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” is highlighted in the Paris Agreement (United Nations Framework Convention on Climate Change [UNFCCC], 2016, p. 4). Though there are various methods that banks can mobilise finance for good, sustainable finance has become a prevalent tool for sustainable banking (Pardeep et al., 2023). It is estimated that the global sustainable finance market was valued at \$3650 billion in 2021 and is projected to reach an estimated \$22,485.6 by 2031 (Pardeep et al., 2023). Although some of the banks forming part of this study have all pledged their commitments to sustainable banking through a number of mechanisms, among which are targets specifically for sustainable finance, the Just Share “How cool is your bank” study found that out of their score of 10, only one bank scored 10 out

of 10 while the others trailed behind with scores ranging from as low as 2 to 6 out of 10 based on their indicators for banks to be considered committed to sustainable finance mechanisms.

2.4.3 Corporate Sustainability Performance and Corporate Governance in South Africa's Banks

2.4.3.1 Introduction

As previously stated, there are a multitude of governance mechanisms in place for the governance of sustainability performance despite the lack of evidence supporting the positive association of the two constructs (Lloret, 2015). It is speculated that South Africa has one of the most progressive, robust and world-leading corporate governance frameworks in the King IV. The Code sets out clearly its definition of corporate governance and refers to "ethical culture, good performance, effective control and legitimacy" as foundational to implementing a "strong" corporate governance culture ("King IV," 2016). As listed companies, the banks in discussion are expected to comply with King IV, the JSE listing requirements, among other statutory requirements for their licence to operate (Shakil et al., 2019).

2.4.3.2 Practical Application of Sustainability Governance in South Africa's Banks

According to Dicuonzo et al. (2022) and Nicolò et al. (2024), the enormity of the role of banks in society warrants that they integrate sustainability into their business strategies. They argue that all banking activities must be socially responsible, including lending practices, asset management, risk management and payments. In this regard, they argue that corporate governance has a fundamental role to play in facilitating the process of sustainability and strategy integration, ensuring that all stakeholders are "satisfied" and that both social and economic elements of the business are included in all decision-making processes (Dicuonzo et al., 2022).

South African banks have at their disposal several powerful mechanisms enabling the governance of corporate sustainability, among which is the JSE Socially Responsible Investment (JSE SRI) Index. This index, launched in 2024, combined guidance and recommendations from the GRI and King IV and was the first index of its nature by a stock exchange in an emerging market (Maubane et al., 2014). This index has since been replaced but, at the time, was designed to offer organisations listed on the stock exchange a standard for sustainability reporting (Maubane et al., 2014). Reporting is a critical element of governance and is a yardstick for how an organisation is faring in relation to its sustainability performance. Moreover, it offers stakeholders an element of transparency into the affairs of the organisation and assists the organisation with legitimacy and the reduction of information asymmetry (Aguilera et al., 2021; Dicuonzo et al., 2022; Maroun, 2022; Saulick et al., 2023).

There is a view that the corporate sustainability performance landscape is “chaotic” and that the disclosure element is not homogenous in nature (Saulick et al., 2023); this is due to a myriad of reporting mechanisms or instruments resulting in complexities regarding comparability. Further exacerbating the lack of certainty is the notion that there is no standardised or agreement regarding which tool or mechanism is best placed (Nicolò et al., 2024). According to Siew (2015), there are a variety of corporate sustainability measurement tools, which the author grouped into frameworks, standards ratings and indices". The author further asserts that the most popular tool is the GRI reporting guidelines and the UN Global Compact was a popular framework. As a means to simply this “chaos”, The JSE has since issued its Sustainability Disclosure Guidelines in 2022 (JSE, 2022). These guidelines explicitly state its intention is to assist with the simplification of reporting/disclosure due to the dynamic nature of corporate sustainability, and importantly, its approach encompasses a South African context to its guidelines (JSE, 2022). Furthermore, there has been a convergence of certain voluntary frameworks and reporting standards; as such, the JSE Sustainability Disclosure Guidelines seek to create comparable reports and clarify the types of annual reporting organisations should report, distinguishing the types information required to disclose on enterprise value – financial materiality, information that reports on social, people and economic impact – impact materiality and finally, those that cover both financial and impact materiality, known as double materiality (JSE, 2022).

2.4.3.3 Governance Mechanism: Reporting or Disclosures

Khan et al. (2020) postulate the importance of reporting or disclosure as a mechanism for sustainability governance. For banks, in particular, voluntary reporting is a tool that, according to Nicolò et al. (2024), is used to demonstrate their social licence to operate. Shakil et al. (2019) postulate that in an emerging market context, the disclosure of ESG data was positively associated with financial performance. Several scholars have argued that the quality of these voluntary reports is poor and incomparable and regard it as “symbolic” (Khan et al., 2020). Consequently, Aureli et al. (2020) argue that there is a mounting call from researchers and regulators for this reporting to be made mandatory. Grewal and Serafeim (2020) concur with this argument, particularly citing an improvement in "operating performance", such as internal efficiencies relating to the organisation's facilities. However, Luque-Vílchez and Larrinaga (2016) found, a lack of positive correlation between mandatory disclosures and improved quality information. The Code emphasises that it was never meant to be a mandated code of conduct.

Each of the banks in discussion reported on their sustainability activity for the reporting period 2023. In terms of the focus on sustainability, the banks all “appear” to be sustainable, with their

reporting underpinned by the GRI, JSE Sustainability Disclosure Guidelines, UN Global Compact Principles and the Principles of the Financial Sector Code – this is a non-exhaustive list of the frameworks, standards and guidelines (Siew, 2015; Sustainability Reporting, 2024, pp. 4–5), that are in their reporting suite (IoDSA, 2021; JSE, 2022; 2021; UN Global Compact, 2024; “FirstRand Report to Society 2023,” 2023; “Investec Sustainability Report,” 2024; “Society Report,” 2023; “Sustainability Disclosures Report 2023,” 2023). Due to the fact that there is no prescriptive consensus on the nature, quality and comparability of the data reported, a layer of complexity arises in assessing the various reports (Helfaya & Whittington, 2019; JSE, 2022; Nicolò et al., 2024).

2.4.3.4 Bank’s Governance Mechanisms: Internal and External Assurance

The importance of reliability of the quality of information presented in the sustainability report is of the utmost importance (Maroun, 2022). Consequently, the reports need to be validated in order to meet the criteria of reliability; this is often achieved through the assurance by internal audit as well as external assurance provided by an independent audit firm (Maroun, 2022; Thun & Zülch, 2022). "Activities designed to result in published conclusions on the quality of the report and the information contained within it", is how the General Reporting Initiative (2006) defines assurance of sustainability reports. Assurance serves as a monitoring tool (Maroun, 2022; Wong & Millington, 2014) and lends credibility to the information shared (Martínez-Ferrero & García-Sánchez, 2017).

Significantly, a bank's board of directors, as the highest level of oversight, is responsible for the integrity or quality of the data reported in the sustainability or ESG reports and is supported by internal and external assurance providers (King, 2017). It is argued that Corporate governance is said to have a significant impact on the standard of sustainability reporting (Aureli et al., 2020). "Corporate governance defines principles, rules and regulations affecting how a company is directed, administered or controlled by managers in the interests of investors" (Filatotchev et al., 2020; Paape et al., 2003). Filatotchev et al. (2020) argue that these aspects of governance are compliance roles that governance is synonymous with.

2.4.3.5 Governance Mechanisms: Sustainability Linked Targets and Remuneration

According to Lu (2023), the rise of sustainability performance-linked remuneration is a phenomenon that is a growing trend, certainly in more established markets. The author also states that though this is a growing trend the results as to whether or not this type of governance mechanism is positively associated with better corporate sustainability performance is debatable. This ambiguity argued by Lu (2023) is substantiated by the outcomes of a study by the Carbon Disclosure Project (CDP) and Ioannou et al. (2016) who

suggest that organisations that set targets that are difficult to achieve or those incentivising performance through monetary incentives result in a higher percentage of targets achieved. However, the authors find that the interaction between difficult-to-achieve targets while providing incentivised performance may negatively impact target achievement (Grewal & Serafeim, 2020). Furthermore, there has been an increasing call across the globe to adopt "science-based targets", and the banks have been challenged to do so. Astoundingly, though, Freiberg et al. (2020) found that "targets become more difficult when firms adopt the science-based standard for the target, consistent with the standard increasing target difficulty".

The King Code makes a case for the use of sustainability outcomes linked to remuneration: "King IV recommends that remuneration be used as a tool to ensure the business creates value in a sustainable manner within the company's economic, social and environmental context. A remuneration committee, established by the board, should recommend a fair and responsible company-wide remuneration policy that promotes sustainable value creation" (IoDSA, 2016). Much like sustainability disclosure reports, some academics argue that some organisations adopt this type of mechanism as symbolic and only to enhance their reputation (Khan et al., 2020; Lu, 2023; Nicolò et al., 2024). The evidence on whether this governance mechanism is value-enhancing is mixed.

2.4.3.6 Multilevel Governance Approach: Role of the Board and Subcommittees

The board of directors assumes the ultimate level of oversight in each of these banks, supported in discharging their duties through subcommittees and the CEO and senior management (Crifo et al., 2018; Hooghe & Marks, 2010; Jaimes-Valdez & Jacobo-Hernandez, 2016) such as the Social Sustainability and Ethics Committee (each committee name is slightly nuanced based on the bank's naming convention) ("FirstRand Report to Society 2023", 2023; "Investec Sustainability Report", 2024; "Society Report", 2023; "Sustainability Disclosures Report 2023", 2023). Regardless of the naming convention, across all the banks, this committee is regarded governance mechanism associated with monitoring and improving sustainability governance systems (Thun & Zülch, 2022; Velte & Stawinoga, 2020). Whilst Thun and Zülch (2022) postulate that the appointment of a Chief Sustainability Officer (CSO) has been linked to improving knowledge about sustainability-related issues and helps the embedment of sustainability into the corporate strategy, this perspective of a direct association between having committees such as the SEC and in some cases the inclusion of a CSO increases sustainability outputs has been challenged (Strand, 2014; Velte & Stawinoga, 2020).

Table 4: Sustainability Governance Mechanisms used by Banks

	Absa Group	Nedbank	Standard Bank Group	Investec	First Rand Group
Governance Mechanism					
Disclosure	•	•	•	•	•
Assurance	•	•	•	•	•
Sustainability Governance Framework	•	•	•	•	•
Double Materiality	•	•	•	•	•
GRI Intergrated Reporting	•	•	•	•	•
Sustainability linked Remuneration	•				
Purpose linked to "sustainability"	•	•	•	•	•
Chief Sustainability Officer Role	•			•	
Communication	•	•	•	•	•

Source: Author's own construct modelled from various sustainability reports

2.4.4 Sustainability Focus Areas and Strategy Integration

In their sustainability report, the banks reviewed all assert their application and complicity with King IV and, as such, have long-term sustainability in mind with their strategic planning ("FirstRand Report to Society 2023", 2023; "Investec Sustainability Report", 2024; "Society Report", 2023; "Sustainability Disclosures Report 2023", 2023). Using corporate governance as an enabler (Lloret, 2015), the four banks attest that their purpose acts as a guide and that their strategy and sustainability objectives are integrated (Cici & D'Isanto, 2017). In this vein, as strategy and governance oversight are in the purview of the board, and increasingly so, setting of the sustainability strategy, they are equally charged with the management of risks presented by this strategy, such as "litigation, physical, regulatory", which may adversely impact the long-term sustainability of the organisation (Aguilera et al., 2021; Naidu et al., 2024).

Landi et al. (2022) argue that sustainability performance has to be so embedded within an organisation that it is central to the internal decision-making processes. As a means of integrating sustainability at an overall business strategy level, all of the banks cited the role of sustainability in their decision-making process, such as investment and lending decisions ("FirstRand Report to Society 2023", 2023; "Investec Sustainability Report", 2024; "Society Report", 2023; "Sustainability Disclosures Report 2023", 2023). Absa argues that their approach to sustainability governance is underpinned by corporate governance, which is a

tool they use for "oversight and strategic alignment ("Absa Group Limited Sustainability Report", 2023, p. 22).

2.5 CONCEPTUAL FRAMEWORK FROM THE LITERATURE

The conceptual framework draws on the various perspectives cited in the literature in chapter 2, to explore the relationship between the two key constructs, corporate governance and sustainability performance. Many of the arguments cited in Chapter 2 suggest that implementing effective corporate governance mechanisms should be a migrant against agency issues and, as such, facilitate the integration of sustainability practices into strategy considerations.

The conceptual framework consolidates the key themes emergent in Chapter 2 that require a deeper understanding as part of this research, which aims to explore the influence of corporate governance on sustainability performance outcomes. The key constructs identified are corporate governance, corporate sustainability performance, and the outcome of sustainability governance. These themes have been incorporated into the conceptual model, as depicted in Figure 2.

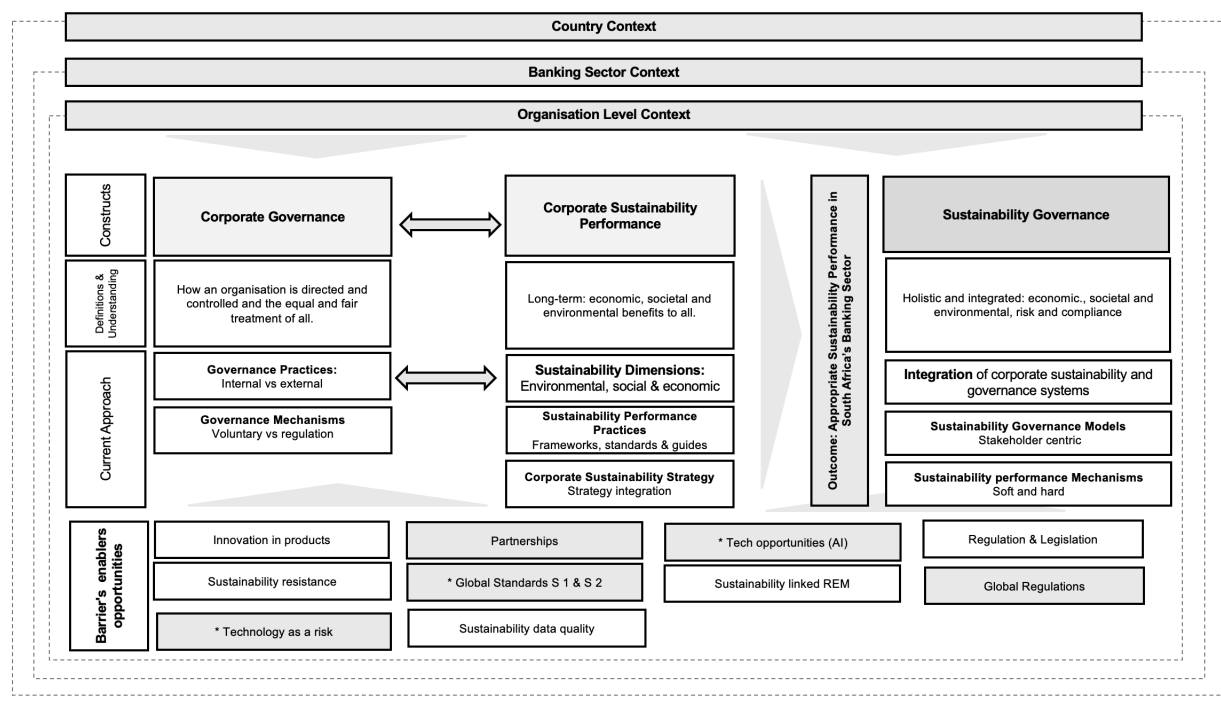


Figure 2: Conceptual model for corporate sustainability governance

Source: Author's own construct

2.6 LITERATURE REVIEW CONCLUSION

The literature review presented in Chapter 2 is comprehensive and, as such, lays down a solid foundation for the exploration set out in the research objectives discussed in Chapter 1 and the research opportunity identified in Chapter 3.

Despite the hordes of literature on both these concepts, it is significant that the definitions of both remain loosely defined and open to interpretation. Noting that the landscape of both corporate governance and corporate sustainability remains multifaceted and in constant evolution, and subject to the whims of stakeholders with sometimes conflicting priorities, as postulated by Demastus and Landrum (2023). The literature highlights the mounting significance of both these concepts and contextualises many of the challenges (and possible opportunities) in settling on the best and most universally acceptable definition of both concepts (Wiersema & Koo, 2022).

The business relevance of this exploration paints the picture of why arriving at a version of aligned perspective on these concepts, as ventured by Dyllick and Hockerts (2002), who rightfully assert that despite the relevance of the two concepts, progress towards sustainable development remains poor. Directionally, though, the literature suggests that studies on governance and sustainability are boundless and that the suggested definitions are primarily aligned, despite the varying interpretations and implementations. This signals the intention to align. However, challenges regarding the pace of implementation and where to start remain challenging (Aras & Crowther, 2008; Sukhdeo & Arnolds, 2019). This is partially driven by the context that a country's national agenda sets the tone for how organisations are governed (Witt et al., 2021), which poses paradoxes. Consider South Africa; if governance is indicative of the national agenda and South Africa ranks 83rd out of 180 countries on the corruption index, how then does it have one of the most progressive governance systems in the world? A governance framework that has implications for the globe's approach to governance. This aspect of governance brings in two critical views regarding institutions and contextual factors, as discussed to some degree in the literature review. The literature highlights that context shapes cognitive and behavioural distortions or societal norms (Jiang & Kim, 2020).

Governance is predicated on "ethical and fair behaviour" (Ludwig & Sassen, 2022), and the contextual backdrop of South Africa is that of "uBuntu" - a concept that means "I am because we are", which simply translates to this ideological view of reality. It may not be a concept suited for the business environment, which has been described as complex, ambitious, uncertain, subject to geopolitical influence, and rapidly evolving, but indicative of the interconnectedness of the country and organisational environment. There is mounting pressure for accountability and transparency across the board; evidenced by the increased

number of sustainability reports in recent years and the level of public outrage at some of the recent scandals (Grewal & Serafeim, 2020; Naciti et al., 2021). Critically and associated with this point is the increased power and influence of stakeholders, including the planet, prompting this shift to a holistic stakeholder-centric approach to governance (Naciti et al., 2021). This is not to assert that this has solved everything, many believe that this shift is specific to select stakeholders and not in the spirit of good governance as defined by King.

Corporate sustainability is the subject of unending debate about what it is, how and who should do it. Critically, it appears that organisations are faced with challenges regarding how to create long-term value, spanning financial, social and environmental value, to exist beyond just profit (Hussain et al. 2016). Intriguingly, the Stockholm Resilience Centre presented a view of sustainability that resonated, it was the representation of sustainability in a tiered visual representation, underpinned by the environment. This layer "includes clean water and sanitation; climate action; and life on land and in water" (The SDGs Wedding Cake, 2016). This suggests that, without the environment, this foundational layer, no person, let alone business, can survive. Similar to the concepts under exploration, this wedding cake analogy represents the interconnected nature of concepts studied in this research.

Among the key themes emanating from this literature review is that the role and understanding of corporate governance and corporate sustainability have evolved; the reasons are many, however, the notion that it is merely a compliance mechanism (Dicuonzo et al., 2022; Klettner et al., 2013), with little to do with actually stewarding the organisation for its "well-being" is no longer acceptable (Schillemans & Bjurstrøm, 2019). Perhaps the most pertinent perspective emanating from this literature review is the connection of the two concepts informed by the belief that corporate governance is an attribute of sustainability, as a mechanism to promote both compliance and transparency (Dicuonzo et al., 2022; *Governance | UN Global Compact*, 2024).

Corporate governance is associated with directing and controlling a company's resources to fulfil its objectives, which King contends are outcomes of "effective control, ethical culture, good performance and legitimacy". These outcomes are aligned with those of the OECD and ISO 37000. Moreover, if this is the case, these outcomes should create sustainable value as the organisation achieves its goals, due to how the business has conducted itself in the process. The value created is mutually beneficial to all stakeholders. The authors do not debate this view as a general perspective on corporate governance that can be universally applied.

The concept of sustainable value is understood in connection with King's definition by Saulick et al. (2023) that "sustainable development" as the "processes" and "pathways" or "actions

and behaviours". The association with behaviours and processes highlights these two concepts' intricate connection. Grewal and Serafeim (2020) connect this concept of the responsibility of corporate governance to drive "well-being", an outcome of King and which they argue is "the intentional strategy a business undertakes to create long-term value through improved societal and environment impact". When considering the critical aspect of performance, one cannot divorce it from negative performance, as surfaced by Büyüközkan and Karabulut (2018). This connects the concepts again through value creation and value destruction, which occurs when a business operates contrary to the principles of King and thus derives outcomes contrary to those associated with the outcomes of good corporate governance.

Notwithstanding the above perspective on the relationship between corporate governance and corporate sustainability, the literature cites mixed outcomes from some of the empirical studies undertaken by several authors to develop a clearer understanding of the relationship.

The relationship between the concepts is evidenced through theories such as the agency theory (Jensen & Meckling, 1976), stewardship theory (Davis et al., 1997; Donaldson, 1990; Donaldson & Davis, 1991), and the stakeholder theory (Freeman, 2010) which have been used to explain the connection between the concepts better.

This is indicative of the complexity of this relationship. Both constructs have multiple variables to consider in any investigation, and as cited above, the more complex the disclosure, the more accusations of impartial disclosures. These are not easy topics to contend with. Many sectors and countries are grappling with both. This challenge presents several opportunities for exploration into the multidimensions of corporate governance and corporate sustainability performance.

CHAPTER 3: RESEARCH QUESTIONS

3.1 RESEARCH OPPORTUNITY

The research questions for this paper emanated from the literature review presented in Chapter 2, which identified several research gaps. Opportunities were identified for further research to be conducted in the study by Aras et al. (2018) entitled "Multidimensional comprehensive corporate sustainability performance evaluation model: Evidence from an emerging market banking sector". The paper analyses data through both qualitative and quantitative techniques; using content analysis, they identify the following similarities to the South African context, i.e. the increasing legislative pressure the sector is facing and the financial sector's management of its societal, economic and environmental roles. They identify the opportunity to consider the need to assess corporate sustainability performance with a multidimensional framework. Although this paper had the right contextual setting, the data obtained suggested that deeper insights into the behaviours that drive or engender sustainability performance would be beneficial, and as such, a qualitative approach may need to be explored.

Research from the Dicuonzo et al. (2022) paper titled "The Integration of Sustainability in Corporate Governance Systems: An Innovative Framework Applied to the European Systematically Important Banks" explores the role of the various governance variables through a model to establish the level of sustainability strategy integration into corporate governance systems of European banks (Dicuonzo et al., 2022). In order to investigate this, the authors used a model that considered which of the governance mechanisms have the most influence on the sustainability performance of the banks in the various countries over a number of years. The authors identified the opportunity for studies to "verify whether a greater integration of the ESG criteria into the banks' governance system could have a positive impact on their economic performance, risk profile, corporate reputation and/or cost of capital" (Dicuonzo et al., 2022).

Furthermore, an opportunity was identified by Aguilera et al. (2021), whose study "The Corporate Governance of Environmental Sustainability: A Review and Proposal for More Integrated Research" focused on organisations in the USA and other developed economies, thus pointing out a gap for similar research in emerging countries. Their recommendations suggest that it would be fruitful to develop a process model of the CG of environmental sustainability, perhaps via qualitative methods, that considers how the predominant outcomes in this literature, namely environmental strategy, performance, and disclosures, might be interrelated in ways that lead to substantive behaviour or decoupling.

Table 5: Research Gaps and Opportunities from Previous Literature

Author/year	Title	Research Gap identified	Corporate Governance Variables
Aras et al. (2018)	Multidimensional comprehensive corporate sustainability performance evaluation model: Evidence from an emerging market banking sector	<ul style="list-style-type: none"> • Deep dive into sustainability strategies and practices in banks and how these are implemented • Identifying key drivers or barriers to adopting holistic sustainability practices • Exploring the relationship between sustainability performance and financial outcomes 	BODs (size, composition, and practices), disclosure, sustainability committees, risk, compliance/assurance, and remuneration.
Dicuonzo et al. (2022)	The integration of sustainability in corporate governance systems: An innovative framework applied to the European systematically important banks	<ul style="list-style-type: none"> • The impact of specific corporate governance mechanisms and their impact on sustainability performance • Exploration of the relationship between corporate governance and corporate sustainability in different cultures • Considering sector specific research regarding sustainability performance due to the varying level of the influence of governance 	Board composition, executive compensation, stakeholder engagement, disclosures, sustainability committee, corporate social responsibility, sustainability strategy integration.
Aguilera et al. (2021)	The Corporate Governance of Environmental Sustainability: A Review and Proposal for More Integrated Research	<ul style="list-style-type: none"> • Different cultural contexts and their influence on corporate governance and corporate sustainability • Complexity in stakeholder management and balancing this potential influence on corporate governance • The importance of board diversity and its impact on sustainability performance 	Board structure and composition, disclosure and transparency, assurance; stakeholder engagement, remuneration policies; regulatory frameworks, risk
Crifo et al. (2018)	Corporate Governance as a Key Driver of Corporate Sustainability in France: The Role of Board Members and Investor Relations	<ul style="list-style-type: none"> • Paper exploring the relationship between corporate governance and sustainability performance • Based in Europe and focused on the financial services sector, banks in particular • Methodology uses if quantitative in the form of models(econometric) 	Board structure, investor relations, reporting and disclosure

Source: Author's own construct adapted from Jan et al. (2021)

3.2 RESEARCH QUESTIONS

Coupled with the objectives of the research, which include establishing the nature of the relationship between corporate governance and corporate sustainability in the banking sector, whether corporate governance engenders positive corporate sustainability performance and finally, which of the corporate governance mechanisms are regarded as the most impactful in driving sustainability performance, and the opportunities identified in the literature review detailed in Table 5.

The primary driver of the research question is derived from literature by Lu (2020), who postulated that corporate governance plays an integral part in monitoring and counselling leadership in decision-making and plays a role in strategic planning and resource allocation. The study investigates the "moderating effect of corporate governance on corporate sustainability performance and corporate performance". In the study, Lu (2020) uses sustainability performance data from Kinder, Lydenberg, and Domini (KLD) and the variables of board composition and structure to compare sustainability performance from 456 US-based organisations. In the study, the burning question posed by Lu (2020) is, "How does corporate governance affect corporate sustainability performance?" Based on the research gaps identified in the literature, the research questions were adjusted for the purpose of this study:

How does corporate governance influence corporate sustainability performance in South Africa's banking sector?

Research sub-question one: How does corporate governance integrate with corporate sustainability performance in South Africa's banks?

Corporate governance plays an advisory, monitoring, directing, controlling and resource allocation role (Thun & Zülch, 2022; Velte & Stawinoga, 2020). As such, this question seeks to explore the level of sustainability integration in corporate governance systems so that sustainability performance is "managed and monitored" within the banks' corporate governance systems or frameworks. The importance has been discussed in Chapter 2 of this paper and importance linked to implementation and, ultimately performance.

Research sub-question two: What type of structures are in place to support the governance of sustainability in South Africa's banks?

Sustainability governance has been discussed in Chapter 2 of this paper, its relevance closely linked to the adage "what you do not measure, you do not manage". This question looks at the governance variables/mechanisms in place across banks and attempts to compare the levels of governance that are put in place to enable sustainability performance. Governance does not happen in a vacuum and needs to permeate across the organisation, albeit

situationally; the delegation to specific layers of management or committees, development of policies and general compliance infers that governance cuts across levels. As such, multilevel governance is among the subjects considered. The complex nature of a bank's activities and the complexity in their structures have been discussed; thus, what is the ideal level of governance, how does this vary across banks, and is there a local best-in-class example?

Research sub-question 3: Does the level of corporate governance within the bank positively correlate with the level of corporate sustainability performance?

Closely linked to question 2 above, this question investigates the varying levels of governance (internal and external) that are either enforced or complied with voluntarily and whether these approaches enable the banks to deliver their sustainability performance mandates. Answering the question, does the depth of governance ensure results in improved sustainability performance for the banks?

The following chapter discusses the research methodology utilised for this study.

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

Conceptually, the research seeks to understand the intersection between corporate governance in sustainability performance in the South African banking sector. As such, this study's method of enquiry was qualitative research. Qualitative research offers researchers an opportunity to explore concepts that are dynamic in nature and framed by an individual's worldview or experience by asking questions about "how" or "why" (Levitt et al., 2018; Reuber & Fischer, 2021). Scholars have acknowledged the evolving business environment and its resultant impact on studying phenomena such as business ethics, climate change, and the concepts related to sustainability (Crane et al., 2018; DesJardins, 2016). The subsequent sections justify the chosen methodological decisions.

4.1.1 Research Paradigm

Two prominent philosophical paradigms exist: ontology and epistemology (Bell et al., 2019).

4.1.2 Ontology

Ontology is concerned with studying the nature of reality and how people create their ideas of reality and generate meaning. Underlying ontology is that reality is socially constructed. There are two ontological perspectives: objectivism and constructivism (Bell et al., 2019). Objectivism is the ontological position that social phenomena are beyond human influence and exist irrespective of awareness, which is to say it is a reality that is independent of our roles. While constructivism is concerned with socially constructed phenomena, this is to say the phenomena are made real based on human action and understanding (Bell et al., 2019; Holden & Lynch, 2004). The selected ontological position frames the understanding of reality and implies the epistemological position (Bell et al., 2019).

The ontological position of this research was constructivism (Bell et al., 2019). Due to the subjectivity of the concepts of corporate governance and corporate sustainability performance, it was beneficial to review them through a constructivist lens, as the definitions and meanings of both are built up through interaction (Bell et al., 2019).

4.1.3 Epistemology

Epistemology, or the researcher's "worldview", is concerned with how we acquire and/or generate knowledge about the phenomena under investigation and can either be framed under pragmatism, positivism and interpretivism (Bell et al., 2019; Creswell, 2018). The interpretive paradigm asserts that there is no singular social reality that stands independently of the observer but rather multiple socially constructed worlds (Babones, 2016; Lee, 1991;

Yanow & Schwartz-Shea, 2015). The concepts investigated through this research required that the interpretivism perspective was applied for generating knowledge, given its flexibility and adaptability to the unique and dynamic nature of the business world. As such, the research strategy applied in this study was an interpretivist-constructivist theoretical approach.

4.2 RESEARCH DESIGN

Multiple yet converging scholarly literature define research design as the strategy/strategies undertaken by the researcher to collect, measure and analyse data to respond to the research question (Levitt et al., 2018). The two distinct research strategies are qualitative and quantitative (Bell et al., 2019; Levitt et al., 2018). The qualitative research approach, according to Bryman et al. (2021), Strauss and Corbin (1990), and Levitt et al. (2018), entails the collection and analysis of data emphasising words; “expressions of experiences” and images as opposed to quantification.

Among the benefits derived from selecting this approach is that qualitative research data is usually drawn from a detailed or, in-depth or intensive study or analysis of a small group, and the datasets are typically drawn from a few sources or individuals, which increases the study's transferability of findings to other contexts (Bell et al., 2019; Levitt et al., 2018). Additionally, this type of data gathering allowed for rich insights to be gleaned through exploration due to the opaque definition of the concepts of corporate governance and sustainability performance. Finally, due to its flexible nature, this method allowed for the questions in the study to evolve as the research progressed on the research journey (Bell et al., 2019; Levitt et al., 2018).

This study's primary intent was to understand better the role and possible influence of corporate governance on corporate sustainability performance. Relevant to this study was getting to the “how” corporate governance and sustainability performance intersect, similar to the “how” question studies such as that of Williams (2018), who used “how” to analyse mediators of causal relationships. Furthermore, the inductive theory-building approach was used in the collection and analysis of the data collected due to the nature of the exploration of the relationship between theory. Bell et al. (2019) postulate that with an inductive approach, “theory is an outcome of research”.

Therefore, the research strategy in response to the research question was an inductive qualitative research approach using primary data sourced through interviews and augmented by secondary data in the form of integrated reports and sustainability reports from the banks and individuals elected for this study.

4.3 RESEARCH METHODOLOGY

This includes the techniques that the researcher employed to conduct the research, including data collection, data analysis, and data measurement tools. The research methodology selected as most suitable for this research was qualitative research using interviews as the research instrument.

4.4 SAMPLING APPROACH

4.4.1 Introduction

The two foremost types of sampling methods that are used are as follows: probability and non-probability sampling (Saunders et al., 2012, p. 261). A qualitative study usually requires a level of sampling, most of which is purposive (Bell et al., 2019, p. 110). Given the nature of the research under investigation, non-probability sampling was selected. There are several approaches to purposive sampling that can be used comprising convenience sampling, which involves selecting participants based on their availability and willingness at the time of the study; theoretical sampling, which relies on observation and ongoing data collection until the theory is saturated, and snowball sampling, which asks participants to recommend or refer others who might not meet the pre-established sample criteria (Creswell & Creswell, 2018; Saunders et al., 2012).

4.4.2 Population definition

The population refers to the whole of the sample universe of which the sample data set is to be selected from (Bell et al., 2019, p. 440) The term "population" refers to the entire group of members, which includes individuals, organisations, and places (Saunders et al., 2012).

The primary consideration for the sample selected was to fulfil the requirements of this research. The sampling criteria used to select participants was that the participant had to have knowledge and/or expertise in sustainability, governance or both sustainability and governance. Secondly, the participants had to have banking sector experience, either in the form of previous (but recent) experience (not older than 12 months), having advised or served on their boards either currently or previously (again, not older than 12 months) or alternatively work in the sector policy shaping or advocacy capacity.

For the purposes of definition, the population for this study can be defined as: **Experts and professionals who are both experienced and are knowledgeable regarding matters relating to corporate governance and corporate sustainability performance as it relates to the banking sector.**

Given the type of information required to adequately respond to the research question and the nature of the research being at an industry or sector level rather than organisation-specific, the professionals defined above needed to represent either of the banks, industry bodies, activist shareholders groups, research institutions, governance practitioners and sustainability experts all of whom needed to have deep expertise in the subject matter under investigation within the context of the South African banking sector. The content derived from the sector professionals assisted in gleaning rich insights from the data set provided.

4.4.3 Unit of Analysis

The unit of analysis as defined by Creswell and Creswell (2018) and Vogt (2005, p. 2) is "the person or things being studied". Importantly, the unit of analysis does not have to be restricted to that of a person. The unit of analysis of this study was the South African financial services industry, focused on the banking sector as the primary subset. The criteria selected were that the banks had to have a South African domicile and an international footprint.

The unit of observation consisted of experts and professionals who are experienced and knowledgeable regarding matters relating to corporate governance and corporate sustainability performance in the banking sector.

4.4.4 Sampling method

A qualitative study usually requires a level of sampling, most of which is purposive (Bell et al., 2019, p. 110). This is to say that the sample selected for the study is aligned with the objectives the research question seeks to investigate, or the sample is representative of individuals that enable the researcher to answer the research question (Bell et al., 2019, p. 111). Another critical aspect of the sample is that the sample chosen needs to have rich information on the phenomena, which requires expertise and knowledge (Curtis et al., 2000). Therefore, as argued by Gioia et al. (2012), the participants need to be "knowledgeable agents", which are "people in organisations know what they are trying to do and can explain their thoughts, intentions, and actions".

In this case, a systematic purposive approach was applied to arrive at industry level experts, who were executives working within the bank sector, who had experience, knowledge and expertise on either corporate governance or corporate sustainability or corporate sustainability performance. Additionally, it was important to consider shareholder representatives with experience in corporate sustainability and corporate governance as key stakeholders of the banks. Furthermore, the experts were selected based on the following criteria:

- Senior or executive manager with decision-making powers.

- Bank employees with no less than 5 years in sustainability or governance related roles within the baking industry.
- Industry specialists with no less than 5 years of consulting to /or, advising, on governance or sustainability.
- Sustainability specialists with no less than 5 years consulting with or researching banks in an activist capacity representing shareholders and/or investors.

The sample selected was accessed from the researcher's professional network; the rest of the sample was accessed through the snowball technique.

4.5 SAMPLE SIZE AND SATURATION

4.5.1 Sample Size Achieved

It is difficult to predict the number of interviews one will have prior to reaching saturation (Bell et al., 2019, p. 117). Subsequently, Guest et al. (2005) postulate that the concept of saturation is difficult to describe or "operationalise" with "practical guidelines" as to what constitutes the proper sample size to achieve saturation. Researchers have grappled with the "correct number" of interviews, as such it is advised that the researcher is clear about the intention of sampling method chosen, and to be able to justify why the achieved sample size is appropriate (Bell et al., 2019, p. 118; Guest et al., 2005). Creswell (1998) provides among the few existing guidelines for the appropriate sample size for qualitative research, proposing that between "five and twenty-five for a phenomenological study". Marshall et al. (2013) argue that it is unlikely that a common agreement on the sample size will be reached. However, they suggest that there are some "factors" that can influence the sample number. Among these factors "sampling procedure, quality of interviews and researcher experience as examples" (Marshall et al., 2013).

Purposive sampling is, in essence, "systematic and strategic", ensuring that the selected sample aligns with the research at hand (Bell et al., 2019, p. 109). Table 6 provides details as to the sample achieved for this research. A total of 15 interviews were achieved out of a target of 25.

Table 6: Audience Sample Target vs the Sample Achieved for the Research

Sample Descriptor	Target	Achieved
Sustainability Banking professionals	10	7
Research institutions academics	3	0
Sustainability Experts	3	2
Governance Practitioners	3	2

Banking Industry Body Representatives	4	2
Sustainability Activists	2	2
TOTAL SAMPLE	25	15

Source: Author's own construct

4.5.2 Saturation

Despite being what Guest et al. (2005) argue is the "gold standard by which purposive sample sizes are determined", the concept of saturation is the subject of debate. The concept of data saturation "entails bringing new participants continually into the study until the data set is complete, as indicated by data replication or redundancy. In other words, saturation is reached when the researcher gathers data to the point of diminishing returns when nothing new is being added" (Marshall et al., 2013), while Bell et al. (2019) argue the importance of distinguishing between theoretical and data saturation. They define data saturation as "when sampling continues until no new findings are generated" (Bell et al., 2019, p. 114), which supports the proposition offered by Marshall et al. (2013) above. Theoretical saturation is continuing to sample until conception categories are fully developed and relationships between them are accounted for (Bell et al., 2019, p. 114). Further expanding on the concept of data saturation is the view that research arrives at a saturation point when there is enough information to replicate the study, and when additional coding is no longer feasible (Guest et al., 2005).

The South African banking industry is highly saturated, comprising 18 registered banks, 4 mutual banks, 6 cooperative banks, 12 foreign bank local branches, and 29 foreign banks with authorised local representative offices (SARB Selected South African banking sector trends, April 2023). There is an element of concentration in the South African banking industry, as evidenced by the fact that the country's four largest banks dominate over 90% of the market in terms of deposits or assets (Witness Simbanegavi, 2015).

The arguments point to the potential limited pool from which the research participants can be drawn, such as the limited number of experts available for participation. The emergent nature of sustainability capabilities exacerbated this. Initially, the research sought the unit of observation to be c-suite executives in corporate governance and sustainability positions and board members in the banks; however, as the study evolved and other themes related to these constructs emerged, it necessitated that the unit of observation be expanded to include executives and senior managers with experience in corporate sustainability and corporate governance, as well as executives and senior managers in strategy roles in the banks. Table 7 highlights the distribution of skills and organisations of the contributing participants.

Table 7: Audience Sample Representation Target Achieved

Interview	Role	Organisation
1	Sustainability and Impact Director	Sustainability Consulting Firm A
2	Chief Sustainability Officer	Bank A
3	Executive Lead Sustainability	Bank B
4	Corporate Governance Advisory & Scholar	Sustainability Consulting Firm B
5	Chief Sustainability Officer	Sustainability Industry Body A
6	Senior Sustainability Risk Analyst	Activist Group A
7	Head of Sustainability Governance	Bank C
8	Group Social and Environmental Risk Manager	Bank D
9	Strategy Lead, Sustainability	Bank B
10	Executive VP Banker: Business Unit	Bank B
11	Corporate Governance Advisory & Scholar	Governance Consulting Firm C
12	Head of Product	Bank E
13	Chairperson	Sustainability Industry Body B
14	Managing Director	ESG Law Firm
15	Head Sustainability Asset Management	Investment Firm A

4.6 RESEARCH INSTRUMENT

The selected research instrument for this study was the semi-structured interviews conducted online and in person by the researcher. This data collection method is reliable for collecting rich and deep insights (Bell et al., 2019, p. 146; Creswell & Creswell, 2018). The interviews were conducted on a one-on-one in-depth basis, with the use of an interview guide. The benefit of this was that though the guide provided questions, their sequence was varied based on the discussion flow and allowed for further questions to be asked in response to the respondent's responses to some questions (Bell et al., 2019, p. 146; Guest et al., 2006).

The extent of the research question allowed for the research to explore the following topics, with the aid of the open-ended questions in the interview guide detailed in Appendix 2 (Interview Protocol).

- The integration of corporate sustainability and corporate governance systems/frameworks within South Africa's banks.
- The governance structures (variables or factors) and mechanisms in place to support sustainability.

- Whether the association between corporate governance and corporate sustainability performance was positive.

4.7 DATA GATHERING PROCESS

The semi-structured interviews were conducted both in person and through the virtual meeting platform Microsoft Teams. A total of 15 interviews were held, of which four were in person, and the remaining 11 were through the virtual platform MS Teams. Each of the interviews, failing one, was recorded; this is inclusive of the in-person interviews using the MS Teams platform.

To ensure rich interview outcomes, each participant was sent a copy of the interview protocol as a preparatory measure (see Appendix 2).

The interview process was iterative along the research journey due to learnings from previous interviews conducted, and each interview ranged between 30 and 60 minutes in length (Bell et al., 2019). Participants were urged to respond based on their area of expertise. The interview recordings were transcribed live using the Otter Artificial Intelligence transcription tool, this approach is argued as "helpful" by Bell et al. (2019, p. 161). Following this, each interview was transcribed verbatim onto Microsoft Word and uploaded onto Atlas.ti for analysis.

All interviews were carried out following the Ethical Clearance process as prescribed by the Gordon Institute for Business (GIBs) from the Gibs Ethical Clearance Committee. Furthermore, each research participant was informed of their voluntary participation and their right to withdraw. Additionally, each participant consented to participate in the research and for the discussions to be recorded.

As a result of the discussions, all research participants were assured of their anonymity. All copies of their files and recordings were anonymised and will be stored without identifiers in a Google Drive cloud-based storage facility. This facility belongs to the researcher and has been password-protected. Backups of the data will be automated so that they happen regularly.

4.7.1 Analysis Approach

Braun and Clarke (2020) argue that in selecting a research analysis approach, it is important to consider the objectives of the study, along with ensuring alignment with the research questions, the research method and theoretical assumptions. To align with the phenomenological approach, the data analysis will follow a thematic analysis approach, heralded as the most widespread approach to conducting qualitative research. Braun and Clarke (2006) purport that thematic analysis is the foundation of qualitative analysis, the authors also assert that thematic analysis "involves searching across a data set". Thematic

analysis is associated with identifying themes and patterns within qualitative data (Braun & Clarke, 2020).

In line with the systematic six phase approach as proposed by Braun and Clarke (2006), the first phase of the research analysis approach was to get familiar with the data. Which began with transcribing the recorded interviews, ensuring that each interview created a written account of the participant's responses. As discussed in the research design section, the AI transcription software Otter was used in the transcription. However, each interview was manually reviewed to ensure its accuracy; this entailed capturing the content verbatim, including both verbal and nonverbal. During this process, notes and ideas were captured through the process as ideas for the coding purposes (Bell et al., 2019, p. 210; Braun & Clarke, 2006).

The initial coding process followed an inductive approach, which entailed allowing the codes to emerge from the collected data. During the coding process, 15 transcripts and handwritten notes from the semi-structured interviews were reviewed to generate first-order coding; a total of 286 initial codes were generated.

This was followed by Bell et al. (2019, p. 210), referred to as a "deeper awareness" or familiarisation of the content, which entails "repeated reading" or "immersion", according to Braun and Clarke (2006). This process was iterative in line with the reading and rereading of the data, which allowed for refinement based on new insights gleaned from interacting with the data captured. This second level generated 97 second-order codes.

Finally, the process of theming the codes through the analysis of connections between codes to generate themes. The process of arriving at themes from codes is through grouping related codes, or "topic summaries of the most frequent things participants said" (Braun & Clarke, 2020). This will be discussed in greater detail in Chapter 5 of this research.

4.8 QUALITY ASSURANCE

The quality of a qualitative study is measured by its trustworthiness, which comprises a number of criteria such as credibility, transferability, confirmability and dependability (Guba & Lincoln, 1994; Lincoln & Guba, 1985). Beyond this definition is that postulated by Epp and Otnes (2020), who suggest that for research to be deemed high quality, it must be both relevant and rigorous. When considering relevance, they argue that the research in question must address critical issues or gaps and that the research can be executed. In order to cover research rigour, the authors propose that research needs to clearly articulate and "make transparent" the data collection and analysis process (Epp & Otnes, 2020).

Additionally, trustworthiness is also associated with reliability and validity, where reliability is concerned with the "trustworthiness of the observations or data". While validity is concerned with the "trustworthiness of the interpretations or conclusions" (Stiles, 1993). Due to the subjective nature of qualitative research, it can be inferred that the interpretation of the same thing by two people may differ, as such rigour is required to ensure the quality of the research (Stiles, 1993). Some standards proposed as those of good research practice include disclosure by the researcher of their own orientation. As an employee of one of the banks forming part of my unit of observation, it was important to avoid any perceived deception and to conduct the research ethically. This information was made known to all the research participants, with the outcome of one of the banks declining to participate in the study.

Riggs (2015) postulates that research quality can further be obtained by applying the following rigour to the data: (1) ensuring quality through personal reflexivity and end-user involvement, (2) transferability of findings, and (3) triangulation. The research employed the requisite rigour as defined by Guba (1981), Riggs (2015), and Braun and Clarke (2006).

Table 8: Research Rigour and Quality Approach

Trustworthiness Criteria	Purpose	Strategy Employed	Strategy Description
Credibility	Validity	Triangulation	Making use of different data sources or methods of data collection.
	Validity	Purposive sampling	Ensured diversity in the representation of perspectives on the topic under investigation. The sample was both sufficient in size and credible.
Transferability	Validity	Thick description	Providing context to give perspective and colour to the research experience, enabling meaningfulness to an external observer.
	Reliability	Consistency matrix	Systematic mapping of the research questions to the various sections in the paper, providing a clear framework that is understandable and easy to follow
	Validity	Purposive sampling	Ensured diversity in the representation of perspectives on the topic under investigation. The sample was both sufficient in size and credible.
Dependability	Reliability	Audit trail	Document the process undertaken to arrive at the research report from the initial step in detail.
	Validity & reliability	Triangulation	Making use of different data sources or methods of data collection.

Confirmability	Reliability	Clear research methodology	Articulated research methodology, including sampling strategy, coding process and codebook provided.
Reflexibility	Validity	Journal	Self-examination of the research findings and reflecting on the role of the researcher in this process.
Internal bias	Validity	Researcher role acknowledged	The researcher transparently declared their employment at one of the banks in the study.
Rigorous	Validity & reliability	Triangulation	Ensure the use of a theoretical approach and procedures for data collection, sampling, and analysis are articulated with transparency. Use recent and relevant, high-quality literature to substantiate.
Relevant	Validity	Purposive sampling	The theoretical approach must make clear a clear and important research problem or gap.
Responsive	Validity	Flexible research design	Ensuring agility in the research process to allow for new and emergent findings.

Source: Author's own construct adapted from Epp and Otnes (2020)

4.8.1 Triangulation

Triangulation is a method of research rigour that is associated with validity and reliability for the research study. It refers to utilising more than "one method or source of data" (Bell et al., 2019, p. 91). Triangulation has multiple benefits beyond those cited above, such as adding different perspectives to the phenomena under investigation as well as through the use of multiple data sources to cross-check themes and data, the reliability is enhanced. Triangulation for this study was achieved through the use of a diverse set of participants, all of whom were purposively selected based on their different or unique experiences with the concept of sustainability performance and corporate governance in banks. Data sources such as sustainability and industry reports were also used to cross-check data.

4.8.2 Resolving for Researcher Bias

As stated, it has been argued that qualitative research is subjective, and in light of the fact that the researcher is also a research instrument, there is concern that the researcher's own subjectivity may influence the research focus and methodology choices, data gathering and analysis process (Bell et al., 2019, p. 21; Epp & Otnes, 2020).

Though there are several types of bias, those that were obvious as part of this research that required consideration were:

- The risk of sample bias was due to the proximity of certain participants who could have formed part of the unit of observation. In light of the researcher being employed by a bank in the population, this could have resulted in an underrepresentation of other banks or banking sector expertise or an overrepresentation of the researcher's place of employment.
- The second identified was that of interviewer bias or subjectivity. Due to the researchers' exposure to the topic under exploration, there was a risk of preconceived or prior knowledge (Asselin, 2003) that could have influenced the interviews in terms of knowledge applied and "capacity for imagination" (Nagappan, 2001).
- Finally, as a result of the sector under exploration, some of the research participants were known to the researcher as part of their professional network; as such, the risk posed by this was the possible effect on the research (Asselin, 2003).

The risks posed by the researcher's bias were considered and mitigated through the following mechanisms.

- To reduce this bias, the researcher took a neutral stance. Guided by the research questions, the researcher utilised peer debriefing to ensure that the research focused on its intent. Additionally, the sampling strategy was robust, ensuring that the role of the researcher was clarified. Ahead of the interviews, each participant was sent a brief of the conversation, enabling them to agree or decline participation.
- To mitigate against bias risk, again the researcher had to maintain a neutral stance and recognise their role in co-creating the data with the participants. As such, the researcher did not coerce any respondents, and each could skip the questions they were uncomfortable responding to. The researcher also did not manipulate any data collected and did not superimpose any beliefs or assumptions – through reviewing each interview and reflecting on the role in the interview through field notes.
- This risk was mitigated by ensuring that ethical principles were adhered to; as such, the researcher declared their employer as part of the invitation to participate in the research. The voluntary nature of the research was emphasised, and informed consent was obtained. As it pertains to those participants from the researcher's bank of employment, they were selected on the basis of experience per the research methodology, and they were all beyond the researcher's influence based on business unit proximity or reporting lines. Additionally, the unit of analysis was based on the

banking industry, which negated the use of internal or specific non-public data from the banks.

4.8.3 Ethical Considerations

Bell et al. (2019, p. 398) attest to the critical aspect that research plays in the research process. Their primary role in the research process is to ensure that no harm comes to research participants and that their rights are not infringed upon (Nagappan, 2001). Underpinning qualitative research is the relationship between researcher and participation; underlying this relationship concept is the concept of power (Miller et al., 2012). As such, ethical codes exist to manage these relationships and ensure that the safety and privacy of participants are upheld. This regulation by these codes, as postulated by (Flick, 2009), places requirements on researchers to ensure that research participants have consented to the research and that the participants are aware of all of their rights, such as the right to withdraw, the right to anonymity and confidentiality, as well as the voluntary nature of their participation.

During the research process, the researcher understood and complied with the ethical codes and conducted the research to the best of their knowledge in an ethical and fair manner. The ethical principles cited above were adhered to, along with ensuring no deception took place.

As part of the research process, the researcher obtained an ethical clearance from the Gordon Institute of Business's Ethics Committee (see Appendix 6). Additionally, participants accessed for the research were informed of their rights, and informed consent was obtained (see Appendix 4). Furthermore, as part of the invitation process, the researcher shared the context of the research and the interview protocol to establish trust through transparency (see Appendix 3). Ahead of the interview, participants were asked for their permission to record the sessions and informed that the content of the discussions would be anonymised through codes, such that their identities could not be linked to their responses.

4.9 LIMITATIONS

The qualitative research method is known to have a number of limitations, among which is subjectivity due to the researchers' biases and personal views (Bell et al., 2019, p. 96).

Additionally, limitations faced by the researcher during the research process are listed as follows:

- Access to the experts proved difficult, given the nature of the exploration and the sample selected.
- Platform stability, as a consequence of access, direct access was not possible, and as such, the interviews may be conducted online. This platform also performed a second

role as a time management tool so that both the researcher and participant were not subjected to logistics that could prove challenging. The platform was not without its challenges and complexities, such as connectivity issues and platform reliability, as well as those pertaining to audio and visual quality.

- The researcher was a novice researcher with no prior research interview experience or deep expertise in both the constructs under exploration (sustainability and governance).

CHAPTER 5: RESEARCH FINDINGS

5.1 INTRODUCTION

This section of the research delves into what emanated from the data collected during this exploration. The data was reviewed and analysed as part of the interview process with the various participants. As previously discussed in research design and data collection methods in Chapter 4, the data collection and analysis process was both iterative and kept flexible, in line with the data collection methodology and the learning gleaned from each interview. In total, 15 semi-structured interviews were conducted, with the sample identified in Chapter 4 comprising experts, professionals, and scholars, all from the sustainability and corporate governance areas of expertise. Following an inductive approach, which generated 286 initial or first-level codes, 97 categories and 15 themes emerged from the data collected.

This chapter will begin with an outline of the research participants and their subgrouping. The subgrouping did not form part of the initial process; however, during the interviews, it became evident that it was necessary due to factors that will be detailed in this chapter. This Chapter will then endeavour to express the research findings from the discussions, structured within the conceptual framework presented in Chapter 2.

5.2 RESEARCH PARTICIPANT SUBGROUPS

As discussed in section 5.1 above, several factors occurring during the interviews necessitated that the research participants be further classification into subgroups. This was influenced primarily by their responses; it became evident that in the sampling, the research had overlooked the importance of the participant's frame of reference and how it would bias or influence their responses. This is to say that based on what part of the industry they worked in or stakeholder grouping they belonged to, their responses were based on their frame of reference and biases. As such, the research participants were classified further into the following subgroups, as detailed in Table 9.

1. Sustainability experts from banking only (Banking Sustainability Professionals).
2. Banking product sales and clients facing professionals (Bankers).
3. Sustainability experts representing industry bodies and consultants, with multi sector experience not limited to banking (Consulting Sustainability Experts).
4. Sustainability Activists looking after civil society and investors (Activists).
5. Corporate governance experts in banking and multi sector experience (Corporate Governance Experts).

Table 9: Research Participants Subgrouping

Interview number	Interview code	Role Description	Grouping	Sector
1	TDSI	Chief Sustainability Officer, sustainability strategy in banking, reporting and orchestrating	1 – Banking Sustainability Professional	Banking
2	WKSB	Senior Executive: Sustainability, strategy, compliance, banking	1 – Banking Sustainability Professional	Banking
3	VBN	Head Social & Environmental Risk, banking, law, strategy orchestration	1 – Banking Sustainability Professional: Strategy	Banking
4	DAR	Head Portfolio Strategy: Sustainability, business unit sustainability owner, banking	1 – Banking Sustainability Professional: Strategy	Banking
5	DMA	Head: Sustainability Governance Strategy	1 – Banking Sustainability Professional: Strategy	Banking
6	LMS	Executive Client Acquisition Banking: BU	2 - Banker	Financial Services
7	LSB	Head of Product: BU	2 – Banker	Financial Services
8	AGL	Sustainability Lawyer, sustainability scholar, consultant, strategy and advisory	3 – Consulting: Sustainability Expert Strategy	Multi-Sector Consulting
9	CDT	Sustainability Director, sustainability consultancy, multi industry	3 – Consulting: Sustainability Expert Strategy	Multi-Sector Consulting
10	LNJ	Chief Sustainability Officer, strategy, advisory, industry body, regulation, standards and frameworks,	3 - Sustainability Expert: Industry Body	Multi-Sector: Local Industry body (<i>voluntary & mandated</i>)
11	AOU	Chairperson, ESG specialist, sustainability frameworks, multi-sector, voluntary industry body	3 - Sustainability Expert: Industry Body	Multi-sector: Global Industry body (<i>voluntary only</i>)

12	KBJ	Head Climate Scientist, civil society, climate change science, reporting, measurement	4 - Activist: Civil Society Expert	Multi-Sector
13	TBS	Head Analyst: Investor ESG Portfolio	4 - Activist: Investor Expert	Multi-Sector
14	DLK	Corporate Governance: Professional	5 - Governance Expert: Consulting	Multi-Sector
15	PJF	Corporate Governance: Scholar & Consultant	5 - Governance Expert: Scholar	Multi Secor

Source: Author's own construct

5.2.1 Analysis of Subgroup 1: Banking Sustainability Experts

This grouping represents the views of sustainability experts who work within banks. Their skills and area of expertise were specific to the banking sector, and thus, they provided a lens on sustainability performance and corporate governance from the "inside or inward" view of their organisations and industry, as well as a view on whether or not corporate governance influences their respective bank's sustainability performance. Geography was also an important consideration for this group, as discussed in Chapter 4.

It was interesting to observe the evolution in roles that have emerged, which one can speculate are a result of the impact of both sustainability practices in banks and the role of corporate governance in relation to this. This indicates the evolution of the concepts, as discussed in Chapter 2, and given the various roles and structures identified, it can be speculated that both concepts have risen in prominence.

The group provided diverse perspectives on the definition of sustainability performance overall, acknowledging the challenges and complexities of sustainability within financial services, which was likened to a journey. The group also offered diverse views on governance and its role in sustainability, some citing their challenges with the rigidity of some corporate governance mechanisms that were seen as impediments to scale and speed. Relative to the governance purists interviewed as part of subgroup 5, this group supported the view that governance is a concept in flux and hard to define categorically.

However, there was consensus regarding the need to simplify and consolidate the sustainability performance evaluation practices and elevate sustainability strategy to the highest office in the banks. Additionally, it was significant to observe that this group was aligned with the view that sustainability is an iterative journey full of challenges. The various groups acknowledged that this space could be better approached in a balanced manner. The group also showed a preference for making incremental progress in this regard.

These are some verbatim quotes from this group, which is data that has been treated with prudence and coded as discreet data.

So the unfortunate thing is, though, when you think about global warming, it doesn't have boundaries, yeah, so we have this fragmenting, fragmented flow across the globe and across organisations that doesn't really help our cause, and it's a very difficult, complex grand challenge to solve because you have immediate kind of targets and needs of your constituents, of your country. (DAR)

I would say yes. I mean, I don't, I don't have any proof of that, but I would say yes, because if you have strong corporate governance, you interrogate and understand the issues. If you have a strong G in general, you will have stronger sustainability. (TDFI)

It's still in its infancy. I mean, still challenging. I must say that. I mean, yes, the organisational design, yeah, has got a significant impact on things that are needing a franchise response, right? (DMA)

5.2.2 Analysis Subgroup 2: Bankers

The bankers comprised participants working in the banks and were responsible for client-facing roles and products. The inclusion of this group was to explore how far the integration of sustainability is in some business units in the banks in an attempt to understand the extent to which the integration of sustainability aligns with the bank's strategy and objectives. Banks are synonymous with complex organisational design which can pose its own challenges. It was essential to observe how sustainability ambitions were practically translated through products, solutions and within business units. Both were selected based on their roles in the respective banks, spanning corporate banking (niche) and retail banking (mass).

It was intriguing to observe the extent to which these bankers associated sustainability performance with their roles in the business. The assumption was that the proliferation would not happen to the degree found at this level. The findings suggest that this group understood corporate governance, citing reporting, monitoring, and structures in their definitions. It may be a consequence of their seniority because it was unexpected to see this rich understanding based on how they fit into the organisational structure.

So it's elements like that where financial inclusion can change the way that business operates, the way that the sustainability and the future thinking by just something that instead of doing a CSI project of going to pick up rubbish, that is financial inclusion, that is sustainable way because you would like, you love what you do. You do it every day. (LSB)

Obviously, it takes into account, you know, the needs of its consumers from a product perspective. And it says, okay, what is the most equitable way of, you know, showing up for our clients or stakeholders in a way that is sustainable into the future? (LMS)

5.2.3 Analysis of Subgroup 3: Consulting Sustainability Experts

This group was selected based on their broader multi-industry experience, having worked in banks or with banks from a consultancy perspective or in an advisory capacity. Their skills span geographies and industries and it was beneficial to the study to obtain a view from

participants who work with banks and have an “outside-in and inside-out” view of the bank’s activity. This group brought a level of subjectivity higher than some of the banking-specific experts, who were found to be less critical of their organisations and more prone to bias towards their respective banks.

Similarly, this subgroup also had a varied view of the sustainability undertakings and sustainability performance in the banking sector, offering benchmarks from other industries they have observed. Primarily, there was consensus that governance structures in banks are well-placed and, thus, should facilitate sustainability. However, the group conceded that the financial services industry “does a lot in terms of sustainability”. However, they were challenged by the depth of these practises and wondered if the banks were doing “enough”, particularly regarding pressing challenges such as climate change. This view of whether or not banks were “doing enough” was also supported by a Banking Sustainability Expert.

Arguments put forward by the participants indicate that inherently, sustainability is of a strategic imperative and, as such, is within the purview of the board of directors, who delegate their authority for the monitoring and performance of sustainability to the Social and Ethics Committee (SET), which is mandated by the Companies Act (2008, 2011). This group also offered similar views on the definition of “good or strong” corporate governance as well as a similar understanding of their expectations of the role of corporate governance in banking. Some cited the inconsistencies in governance practices that are “possibly” behind the reasons why banking practises have come under such scrutiny. Also, given this group’s vantage point, they provided an industry and geopolitical landscape to the discussion, which provided rich context for the South African operating environment and its complexities.

... but just very broadly, an oversight direction setting. (CDT)

So, sustainability, to us, means that that business is building its own resilience, right, is very aware of its impacts in society, across those levers that I've mentioned, and we want businesses that are able to positively contribute to society. (AOU)

But I think the bit of the concern is, you know, we've always taken the perspective of, we are stakeholder primacy, not shareholder primacy. We kind of look at all stakeholders, and we want sustainable development. We need to understand and manage our impacts to society and the environment. (LNJ)

And you know, I won't go into how I came to be in sustainability, but the longer that I am in sustainability, the more that I think about and see this widening gap between what we're all aware of in terms of where we need to get to and the challenges we're all facing as a society and in terms of the environment. And also, at the same time,

there's this escalating growth in commitments and targets, and I think businesses are perhaps being more cautious about it now given the growing kind of focus on disclosure and concerns about greenwashing. But even so, there are these two really steep hills, mountains and this chasm in the middle, which is this lack of action, this lack of ability to do. And for me, that's where the governance comes in, right? Because that's what governance is about. (AGL)

5.2.4 Analysis of Subgroup 4: Activist Multi Sector

This group comprised stakeholders who are impacted directly or indirectly by banking activities; they were selected to provide a stakeholder perspective on the subject. Given that one of the cornerstones of governance literature is the stakeholder theory, it was essential to include the views of civil society as a stakeholder of banks and investors. Both these groups hold immense power and influence on how an organisation is governed. The need to consider stakeholders in the ecosystem of the business environment is critical, and this will be discussed in detail as the research questions are unpacked in this section.

With the above considerations made, this subgroup was included so that the research had a pragmatic perspective on the results; as such, it necessitated the voice of civil society representatives as well as the investor's point of view. The view offered by this group represents the various ways reality is perceived based on the participant's frame of reference. Activism is a form of external governance known to impact reputation and decision-making in some instances, with a role to play in representing various constituents.

Broadly, this group argued that the sector was challenged to articulate its stance or targets on climate change effectively. Additionally, this group of participants cited challenges with transparency and full disclosure. They argued the merits of corporate governance and emphasised the legitimacy provided by governance mechanisms. However, due to the transparency issues cited, the argument put forward here is how much governance produces the desired outcomes.

For me, it's less an issue about layering more and more kind of governance mechanisms and more around ensuring greater accountability around the mechanisms you already have. So, for me, the issue is not that we need more policies, it's that you need to be more accountable in enforcing the policies you have and ensuring the policies that you have are firmly aligned with what climate science is telling you. (KBJ)

Well, I sit in the area where we engage with companies that we own shares of, and we engage with the boards of companies around their corporate governance. So, for us,

it's really a part of our job, as you know, the custodians of other people's money, to ensure that the governance structures and the people that are basically the oversight for a company or, you know, doing our doing what they set out to do. (TBS)

5.2.5 Analysis of Subgroup 5: Governance Experts

These experts were by far the most fascinating; they represented purists of corporate governance. In the discussions, they were all very clear about the role of corporate governance, who the custodian(s) of corporate governance are and how it interplays with sustainability and sustainability performance. This group comprised governance specialists in the form of ex-committee members, current advisors and scholars with previous or current experience advising banks or having served on their boards.

Furthermore, given their multisector exposure, they were unrelenting in how governance is universal in that it has clear guidelines and parameters that organisations must uphold. These experts cited the role of governance as an “enabler” that provides the rules of the game, the “how” organisations should conduct themselves. They agreed that governance is at its core about fair and ethical conduct across all the stakeholder groups, not favouring one over the other.

Well, one cannot exist without the other. You need the support of your stakeholders. You don't have a supportive steering policy. We don't have a sustainable enterprise. There shouldn't be a debate because it's integral to a successful organisation. (DLK)

So, I think governance is about ensuring that processes and procedures which are appropriate are actually applied correctly or appropriately within an organisation. I don't think governance itself drives anything, per se. (PJF)

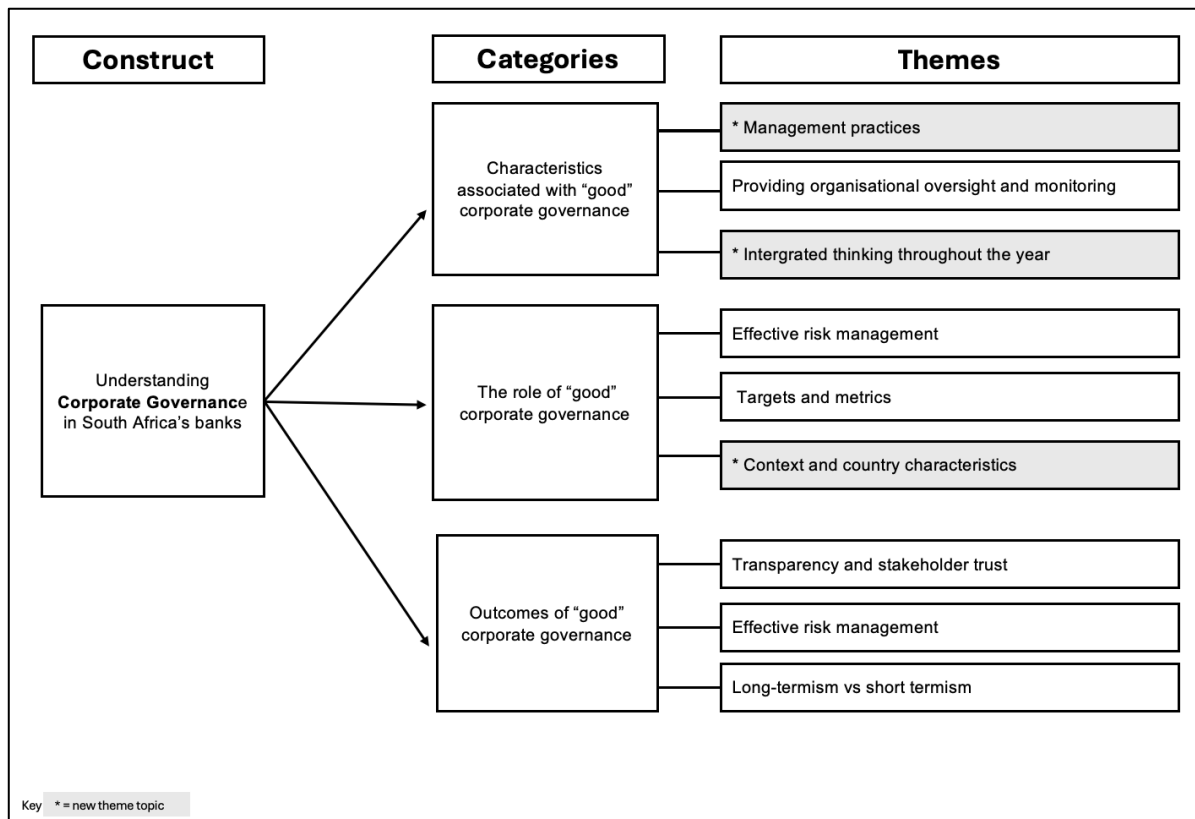


Figure 4: Defining Corporate Governance

Source: Author's own construct

5.3.1 Characteristics Associated with Good Corporate Governance

5.3.1.1 Key Findings

The participants clearly articulated the rationale for including the words “good and strong” during the interviews as relevant to the governance discussion. The shared view was that corporate governance is differentiated from good corporate governance and its expected outcomes. The word “good” is also included in how the King IV code addresses corporate governance – distinguishing between governance and what is deemed “good” governance outcomes.

The participants were broadly aligned in their understanding of corporate governance, using phrases such as “ethical behaviour”, “oversight role”, “direction setting”, “controlling”, and “processes and procedures”. Additionally, it was clear that these characteristics are upheld by the organisation’s leadership or “highest office”. A Banker observed that:

Governance is pretty much our license to trade right to make sure that we operate in a manner that is ethical that creates confidence and trust in the market.

When probed further about how they define corporate governance in their organisations and how this understanding extends to how corporate governance practices are playing out in the banks, some participants suggested challenges with how banks implement corporate governance practices and that they believe some of these practices are contrary to those of the principles as set out in King IV.

Additionally, the participants shared a similar sentiment or alignment concerning its role as compliance and that both internal and external mechanisms facilitate this compliance. Another strong theme from this definition was the idea that corporate governance is associated with stakeholder and risk management. Surprisingly, very few participants attached phrases such as “accountability and integrity” in their responses when defining corporate governance.

A Consulting Sustainability Expert from subgroup 3 shared a contrarian view, stating that corporate governance has not evolved from its initial underpinning of shareholder primacy.

I guess the role is to it's an oversight role and a setting direction role, and a kind of risk management role traditionally, that is around representing kind of the shareholders, although it should be a bit broader, please express representing different stakeholders.

The participant went further to state the following when asked about evolution or, rather, the perceived evolution of corporate governance.

... I guess this will come in when in the discussion around the link to sustainability, but I think, you know, the priority is still very much around financial and risk management and oversight. So, you know, within risks, yes, there certainly are some sustainability issues, but I think the primary focus is on, has been and is on financial and kind of risk oversight, rather than more broadly, and that, I mean, that's a very general, general statement. There's obviously a lot of changes that have happened that have driven, that have elevated some sustainability issues to the board.

What was also of interest is that corporate governance, according to King IV, is associated with “good performance” as an outcome, which wasn’t explicitly mentioned by the participants, apart from those in the Corporate Governance Expert subgroup. In fact, the responses included “reporting, monitoring and record-keeping” as associations with performance, resurfacing this theme of compliance.

The most significant response was from the Governance Experts (subgroup 5), who introduced the concept of corporate governance as being about “integrated thinking throughout the year”, proposing a view in accordance with the King Code, suggesting that corporate governance is:

So the King Code has 17 principles in it, and part and parcel of the introduction of the King Code is it deals with integrated thinking and integrated reporting. So, we are dealing with integrated reporting, which is reporting over and above the annual financial statements and the attestation there. So, when one looks at Integrated Reporting, you're looking at the interaction of the entity with the environment in which it operates.

Integrated Reporting isn't the report at the end of the year. Integrated Reporting is integrated thinking throughout the year, and as a result of that, the integrated report is produced to highlight what's happened.

5.3.1.2 Cross-case and In-case Analysis

Analysing the data across participants, it became evident that governance is regarded as a system that underpins conduct and can be associated with behaviour that is expected of banks. All of them have indicated the King Code's application in their reports and have thus attested to complying with its requirements. The convergence and divergence in the definitions of corporate governance among and within the subgroups are discussed in section 5.3.1.1 and further expanded below.

Table 10: Theme Evidence: Corporate Governance Definition

Theme: Characteristics of Corporate Governance	Subgroup
<i>... but I always thought that governance provides us with a structure, the parameters within which we as an organisation can operate. And if we are outside of that, it's going to be very difficult for us to actually continue to be a good corporate citizen (WKSb)</i>	1 – Banking Sustainability Professional
<i>And I mean, the simple answer is, the governance the role of governance is to ensure that it is done ethically, appropriately, responsibly, that you can conduct yourselves to the highest ethical standards. (TDFI)</i>	1 – Banking Sustainability Professional
<i>I'd say when we started off this sustainability, like architecture, it was very emergent in that there wasn't necessarily these governance mechanisms to tell us how to do things. So, you could think about it almost like a startup, or like innovating without kind of these constraints. (DAR)</i>	1 – Banking Sustainability Professional: Strategy
<i>I think for me, governance is pretty much our license to trade right to make sure that we operate in a manner that is ethical, that creates confidence and trust in the market. Right? At the heart of it, it's really</i>	2 – Banker

<i>talks about our ethical conduct and making sure whatever we do, we do it in a competitive, but equally so in a fair manner in the industry. (LMS)</i>	
<i>It is accountability. It's about good governance. It's about strong oversight. It's about how a company integrates ethics and these sustainability principles and how then the board is able to use those to drive strategy. (AOU)</i>	3 – Sustainability Expert: Industry Body
<i>Um, so, I mean, for me, governance is really good governance that supports sustainable value in the organisation and in society. (AGL)</i>	3 – Sustainability Expert: Strategy
<i>But I think what's important to understand is that governance is basically the overall underpinning of everything, right? ...it's important to bear in mind that everything needs strong governance to make any of those other things possible, right? (KBJ)</i>	4 – Activist: Civil Society Expert
<i>So, I think governance is about ensuring that processes and procedures which are appropriate are actually applied correctly or appropriately within an organisation. I don't think governance itself drives anything, per se. (PJF)</i>	5 – Governance Expert: Scholar

5.3.1.3 Theme Conclusion

There is consensus that governance provides direction, guard rails and rules, in essence, sets the tone for conduct within an organisation, and that governance is of value to organisations. Though the definitions vary slightly, consensus applies to this concept, providing structures and rules of conduct; a participant recounted how they regarded governance as inflexible and not conducive to innovation. It needs to be acknowledged that in this person's role, agility and speed are their frame of reference and context, and as such, multilayered processes can be construed as constrictive. However, this begs the debate of how it should be applied across organisations, offering parameters but providing an enabling environment.

Among the Bankers (subgroup 2), there is a view that corporate governance engenders trust, particularly given that banking services are intangible; trust, therefore, becomes a commodity for banks. This view leads to the inference that there is an expectation that a bank will conduct itself, at minimum, in accordance with the law, a form of mandatory governance. Or suppose we stay with this view that governance is a principle that offers an agreement between parties on what to expect from one another, offering the safety of predictability. In that case, it can be speculated that businesses can and should operate within the characteristics of "good corporate governance".

Two experts in subgroup 1 (Banking Sustainability Professionals) agreed that corporate governance is associated with responsibility—either as a responsible corporate citizen or within the context of conducting operations responsibly. It seems there is again an agreement of expectation on what responsible means in the context of conduct, which was associated with effective management of risks and opportunities.

The experts in subgroup 3 (Consulting Sustainability Professionals) immediately linked the concept of corporate governance with its role in enabling or facilitating “sustainable value” or enabling in the sense of making things possible by being what underpins corporate activity, which is a similar view held by the Activist in subgroup 4 (Activists). It was interesting to note the technical and clinical definition provided by the Governance Expert in subgroup 5, who asserted that governance is the correct application of systems and procedures. This aligns with the views held by all the subgroups. In the rest of the responses, one participant believes that corporate governance is associated with providing assurance of behaviour – again, this concept is what to expect from organisational conduct. Similarly, this response corresponds with that provided by subgroups 1 and 2.

5.3.2 The Role of Good Corporate Governance

5.3.2.1 Key Findings

The role of governance remains the subject of debate; however, it remains that organisations implement these practices based on their perspectives, as discussed in Chapter 2. Noteworthy in these findings is how the subject of context or social norms emerged in the themes. This is to say that, though governance is “well understood” as aligned in section 5.3.1, the organisation’s context and that of the country of operation impact how governance is practised. This is to say that the local banking sector is subject to strict regulation, and as such, governance cannot be disregarded.

A Banker in subgroup 2 shared this perspective:

... and the reason I say that is because different banks, different markets, are on a different maturity cycle, and the context is different, right? But I think the dominating theme that's going to emerge is that if you want to play by our rules, you got to go this way, right?

Agreeing with this perspective is an Activist in subgroup 4, who stated:

So I think from a voluntary disclosure perspective, and in terms of fostering the spirit of good corporate governance, I think definitely South African guidelines are more progressive in spirit and encompass a lot more of what from a sustainability

perspective is needed, right? However, there are areas in which our own history and our own contextual demands mean that some things, particularly around, say, the gender pay gap, is not as developed as they are in Europe in particular, and we're a lot more focused around racial diversity and kind of vertical pay gaps, which is, which are important, but in our context, because we have a very different context to the so-called developed world, right?

The view shared by the participants is the importance of a relationship between external and internal governance mechanisms. Though not in the scope of this paper, it was interesting to hear which mechanisms the participants believed to engender better adoption and compliance with governance structures. It was noted that governance, at its core, plays a critical role in risk management. Another topic that emerged as part of this theme was the role of governance in setting goals and targets for banks and/or facilitating the achievement of the objectives set by the bank, with the view of “what gets measured gets managed”.

Though there was general consensus among the groups regarding the aspect of goal setting, the tension between the groups came from the transparency regarding how targets are set, or how these targets are arrived at exactly. One respondent from the subgroup 4 (Sustainability Activists) shared this perspective:

And in terms of governance, I think what, what we're seeing a lot more, is that banks, who are setting targets and setting kind of metrics, they are very conservative, so they're looking at what they can very easily achieve.

Similarly, the Governance Experts from subgroup 5 offered a view of the unintended consequences of targets and metrics, citing the Volkswagen emissions scandal as a reference as to how governance mechanisms can, at times, be counterintuitive or contrary to their intended objectives based on how managers apply them.

So again, I think it goes back to the investor. What is the investor expecting? And if the investor is only expecting better or improved financial returns than anything else, then all executives going to worry about is that, because the end of the day, that's what they're being measured on,

Significantly, this theme was associated with risk management, with the view that oversight means effectively looking after and managing the bank's financial and other material risks. Proactive risk management also came through strongly; this was supported by the view that firstly, the environment of business is complex and, secondly, the rate of change compounds factors such as volatility, uncertainty, and ambiguity (VUCA). The implications of these factors on decision-making are far-reaching. An Activist in subgroup 4 had this to say:

I mean, we'll always look at it as a business through a risk framework because I think it makes a lot of sense to look at it through a risk lens first because you can look at everything through a risk lens. If you're Woollies and you're worried about those tomatoes that you sell because they are the most valuable tomatoes in South Africa, I'm paraphrasing, you're going to make sure that those tomatoes are looked after, aren't you even to the fact where you are worried about, say that the labourers working with those if that labourer gets irritated and he squashes 10 of your valuable tomatoes, it's not good for you, is it so? So, yes, you look at it from a risk perspective ...

In a similar vein, this perspective on corporate governance and risk was shared by a banking Sustainability Professional in subgroup 1:

... our role, as I said, is to make sure that the, you know, we do have risks managed, the correct governance, policies and frameworks, and to ensure that the organisation can implement those in their day-to-day business.

Risk was among the most prevalent themes in both governance and sustainability, which was a surprising link to discover. This theme will be unpacked further in this chapter.

5.3.2.2 In-case and Cross-case Analysis

Analysing the feedback from the participants, the most vocal on this theme were the participants in subgroup 4. They were most vocal on the aspects of goal setting, targets, governance, and risk. They levelled criticism against the banks and the types of targets and goals set or facilitated by corporate governance. The criticism ranged from transparency on how the targets were arrived at to the lack of ambitious targets.

The participants seemed cognisant of the importance of context and its implications for the adoption of certain governance mechanisms. They also noted that context is borderless. The participants' view was that South Africa's corporate governance culture is among the most progressive in the world and that South Africa has generally influenced how corporate governance is considered and applied across the globe.

Table 11: Theme Evidence: Role of Good Corporate Governance

Theme: The Role of Good Corporate Governance	Subgroup
<i>So, I do think that we currently have a good, as I said, a good corporate governance culture with regard to making a profit. But I'm still worried and concerned that when you are starting to overlay it with the good of the wider society. We are not there. (DMA)</i>	1 – Banking Sustainability Professional

<p><i>But if you look at things like carbon tax you've got now the CBAM regulations in Europe. There are similar regulations in the UK, and I think in Australia, that is definitely going to negatively impact our exports, and it's something that we have to look at, create awareness with our clients, work with the regulators on assessing what carbon tax should be levied to certain industries because it could potentially make our exports uncompetitive (VBN)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>Do they understand the increasing risks their business faces? Do they understand their impact and dependencies on the context in which you know they're operating, and how do they make decisions with that in mind? (AGL)</i></p>	<p>3 – Consulting Sustainability Expert: Strategy</p>
<p><i>South Africa corporate is a very compliance mindset, and it's also very competitive. Yeah. So, if one company is doing integrated reporting and using their framework, all of them are going to do it. Same with the banks. I mean, just look at the banks. I mean, it started with Equator Principles, and it's TCFD. It was climate policies, and then it's, and now everybody has sustainable finance business units ... (LNJ)</i></p>	<p>3 – Consulting Sustainability Expert: Industry Body</p>
<p><i>So, Africa has a very strong culture of Corporate Governance. So, if you look at the King 1234, yeah. And the Companies Act. Many countries in the world have a Companies Act, but we have other voluntary mechanisms that have emerged out of South Africa. If you look at the JSE, it is almost one of the very first stock exchanges to have a social responsibility index. So, there's a very strong culture in South Africa of good corporate governance, and we can't undermine that. (AOU)</i></p>	<p>3 – Sustainability Expert: Industry Body</p>
<p><i>But from a climate science perspective, what needs to happen is very clear: banks are not doing enough at the pace required. And then from a governance perspective, the question is, why? Why? Why are you not doing that? Yeah, that, I think, is a fundamental question that we try to pose to all banks and all the kind of target companies we kind of work with is to be like, this is what the science is saying. What is preventing you from doing this? (KBJ)</i></p>	<p>4 – Activist: Civil Society</p>
<p><i>Somebody there's this famous quote about in that says that if you, if you can measure something, you can manage it, yeah, manage it...so if you are, if you're telling the people that I'm, you know I've, I've got this fantastic gender or diversity policy, people are going to say, well,</i></p>	<p>4 – Activist: Investor</p>

<i>prove it to me. Show it to me. So, then you have to, obviously, measure it, manage it, and then you can prove that you're doing it. (TBS)</i>	
<i>I think corporate governance begins with the shareholders appointing the most appropriate people to do the oversight in the context of the particular company. (PJF)</i>	5 – Governance Expert: Scholar

The participants in subgroup 3 (Sustainability Expert) seemed to share common views on the association between the county characteristics and subsequent corporate governance culture in organisations. They were aligned on the view that the banks operating in the country are of a complaint mindset and thus conduct themselves accordingly. Contrarily, however, is the view offered by a Banking Sustainability Expert in subgroup 1 (Banking: Sustainability Professionals), who argues that the compliance culture within banks only extended to financial oversight and profit making, inferring that this same compliance rigour isn't applied to aspects of sustainability – this will be discussed further in the latter part of this chapter.

As it pertains to risk, there was alignment among subgroups 4 (Activists) and a participant in subgroup 3 (Consulting: Sustainability Expert) as well as a participant in subgroup 1 (Banking: Sustainability Professional) regarding this relationship between corporate governance and risk management, context and the implication on organisations.

5.3.2.3 Theme Conclusion

The participants highlighted that, among other things, the role of governance is a function of risk management, including proactive, financial, and effective risk management. In all the bank governance reports, sections are dedicated to their respective risk management approaches and definitions of their most material risks. There are other arguments put forward by the participants suggesting that corporate governance has an array of benefits for any business, listing organisational financial performance, attractiveness to investors, risk management, an enhanced reputation, and competitive advantage.

As a monitoring tool, corporate governance ensures the orchestration of the bank's resources to facilitate the achievement of its objectives and targets and ensure alignment with the strategy through the board of directors. The participants have agreed to this. However, the Activists and the Sustainability Experts subgroups challenged the nature of the targets proposed by the banks, as well as the inability to ascertain how the targets were arrived at, stating that the targets need to be science-based. Additionally, the Activists believed that the bank's targets need more ambition, whilst the Banking Sustainability Professionals attested to the complexity and emerging nature of sustainability, particularly climate science. As such,

they [Banking Sustainability Professionals] were aligned on progressing in the right direction and having robust engagements on the sector targets. The discussion on targets explored what appropriate governance mechanisms need to be in place to monitor, track and incentivise performance.

5.3.3 The Outcomes of Good Corporate Governance

5.3.3.1 Key Findings

As discussed in the previous section of this chapter, corporate governance essentially is about providing structures and processes which, in effect, create an expectation of a specific type of behaviour in terms of conduct. That said, the King Code offers the following outcomes of good corporate governance: “good performance, ethical culture, effective control and legitimacy”. The key themes coming from this construct were strategy, legitimacy, transparency and accountability across the various subgroups.

Aligned with the above themes is subgroup 4 (Activists), who were the most vocal about their expectations of corporate governance as it relates to banks. They cited transparency as a concern, and the importance of the role oversight plays in deriving the desired corporate governance outcomes.

So, I think, from my notes here, it says that corporate governance, corporate governance mechanisms, are contingent on transparency and the extent to which they are able to give internal and external stakeholders enough data to be able to hold them accountable and assess their progress, and to that extent, none of the banks are doing enough.

Well, I sit in the area where we engage with companies that we own shares of, and we engage with the boards of companies around their corporate governance. So, for us, it's really a part of our job, as you know, the custodians of other people's money, to ensure that the governance structures and the people that are basically the oversight for a company or, you know, doing our doing what they set out to do.

The Banking Sustainability Strategy Professionals (subgroup 1) had varied opinions. One participant appreciated how governance promotes accountability, whereas another regarded it as instructional and constraining.

... as a bank, we are actually here to promote democracy and accountability, and, you know, if that is the case, the way we run the bank, that's where governance comes in. The way we run the bank and make decisions has to show that we are looking into the effectiveness of public service, the accountabilities and all of that.

... it was very emergent in that there wasn't necessarily this governance to tell us how to do things. So, you could think about it almost like a startup, or like innovating without kind of these constraints.

It was also noted that some participants associated corporate governance with strategy and that the outcome of good corporate governance encompasses every aspect of the business, from planning to objectives to stakeholder engagement to implementation and reporting.

5.3.3.2 In-case and Cross-Case Analysis

ISO 37000 asserts that core outcomes result from the practical application of corporate governance standards: "responsible stewardship, ethical behaviour and effective performance". This perspective was echoed strongly among the various subgroups, reaching alignment across the subgroups, each mentioning direction, strategy, oversight and aspects of "good behaviour", with one participant adding the role of the legitimacy that is provided by governance.

Table 12: Theme Evidence: Outcomes of Good Governance

Theme: The Outcomes of Good Corporate Governance	Subgroup
<i>And because I always think about it, you know, what strong governance means. And there's two things. One of them is, it's about direction. And that direction, how do you know the direction is the strategy, and then, and then there is then the other part, which is the management aspect of it, which means legally, ethically and sustainably, you know, and thinking more from all stakeholders, not just the shareholders, staff, clients, customers and so forth, so and being good to society. (DMA)</i>	1 – Banking Sustainability Professional: Strategy
<i>So, you have to have it [governance] in a place where you sell trust because you don't have a commodity that you're selling; you're selling people's investment, and it's basically trust. So that's nice for governance. That's the aspect of it, in terms of just reporting, making sure that what you say you actually do, and then having an element of or points where you can reflect back to say, did I do what I said I was going to do ... (LSB)</i>	2 – Banker
<i>... because it gives you direction even in the development of products and services, to better understand what your client's needs are, and to action those needs, or to create products and services to answer those needs. (VBN)</i>	3 – Consulting Sustainability Expert: Strategy

<p><i>So vitally important, you have to have the structures in place otherwise. You know, it's what are you doing? How is the oversight? How's the accountability? How's the responsibility? How do you ensure transparency? You know, it's all of those things. Because, like, you've heard about the greenwashing, but the governance structures just help you in your direction and strategy. (LNJ)</i></p>	<p>3 – Consulting Sustainability Expert: Industry Body</p>
<p><i>But even so, there are these two really steep hills, mountains and this chasm in the middle, which is this lack of action, this lack of ability to do. And for me, that's where the governance comes in, right? Because that's what governance is about. It's about how an organisation is directed, how is it overseen, how is it held accountable for achieving its purpose. (AGL)</i></p>	<p>3 – Sustainability Expert: Industry Body</p>
<p><i>And in the old days, it was just, you know, what make a profit. I don't really care how you do it, but where we sit today that has evolved. So firstly, how things evolved was through saying, you know what, we need to be responsible investing, investors. And at first, responsible investing was just really about, are we are we crooks, or are we not crooks? I'm being very, very crude now, yeah, how we make the money is, yeah, you know, how do we make the money? (TBS)</i></p>	<p>4 – Activist: Investor</p>
<p><i>I think corporate governance begins with the shareholders appointing the most appropriate people to do the oversight in the context of the particular company...Yeah, the board is simply overseeing. And corporate governance is an aspect of the board oversight. In that sense, holding the CEO accountable, holding the CFO accountable, etc. (PJF)</i></p>	<p>5 – Governance Expert: Scholar</p>

There was no disagreement regarding the role and impact of good corporate governance, and this was the one theme that showed the most alignment across the various subgroups. The view of direction for the organisation was the most supported theme among the groups.

5.3.3.3 Theme Conclusion

South Africa's banks play an enormous role in the economy, and a participant mentioned the interrelated nature of the economy and the banks: "... in my view, it's the only way that the economy needs to grow if we want to make it. We can see that when it's not growing, we [banks] suffer directly. If there are issues with employment, then we [banks] suffer greatly with impairments and all that."

The outcome of good corporate governance is widely understood by the participants of these interviews, with alignment across the board, with each of the components of good corporate governance outcomes proposed by King IV being mentioned by the various subgroups. It is essential to acknowledge that one participant from the Activist's subgroup cited transparency issues, which suggests that, in their view, the banks are conducting them in contravention of the behaviours and spirit associated with good governance. This topic also emerged under the reporting theme, a finding to be discussed further in this chapter.

5.3.4 Theoretical Category Conclusion

In order to answer the question associated with this section, namely, "sub RQ1: How does corporate governance integrate with sustainability performance in South Africa's banks?" it was essential to ascertain the level of alignment among participants on their definition of corporate governance and the outcomes it is meant to drive. The understanding alignment obtained is inferable, then, that the banks are clear on the type of governance conduct required of them by all their stakeholders to produce the outcomes stipulated by King IV.

Some key findings included that banks are, on the surface, ticking all the boxes that comply with external regulation and the imposed internal obligations that result. This is to say, the banking context is highly regulated and monitored, so all evidence suggests that the banks are compliant in this regard. As such, they are compliant with the rule of law; however, as mentioned, some stakeholders have a contrarian view regarding the outcome of legitimacy. Challenges posed by the Sustainability Experts and Activists included the perspective that banks need to consider going beyond compliance concerning sustainability performance, which, as cited above, requires consideration regarding how banks set their targets. The recommendation is that targets must be more ambitious in tackling sustainability-related issues. Furthermore, bank reporting on performance needs to be balanced and transparent, providing successes and failures. This is indicative of a trust deficit between banks and some stakeholder groups.

The frequency table below, Table 13, provides a view of the alignment and prominence across this theoretical category firstly between the banking professionals and then examines if the prominence of themes aligns between the banking professionals and the rest of the experts

Table 13: Research Findings Summary-Construct 1 Understanding Corporate Governance

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts							
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts	
Good corporate Governance	Management Practices								
	Oversight and Monitoring								
	Intergrated Thinking								
The Role of Good Governance	Effective Risk Management								
	Intergrated Thinking								
	Context and Country Characteristics								
Outcomes of good Governance	Transparency and Stakeholder trust								
	Effective risk management								
	Long-termism vs. short-termism								

<p>Key: Professional and Expert Alignment</p> <p> Limited alignment / significant divergence</p> <p> Partial alignment / slight differences</p> <p> Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p> Limited alignment / significant divergence</p> <p> Partial alignment / slight differences</p> <p> Highly aligned / limited to no differences</p>
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Source: Author’s own construct

5.4 CONSTRUCT 2: RESEARCH FINDINGS CORPORATE GOVERNANCE PRACTICES IN SOUTH AFRICA’S BANKS

RQ2: What type of structures are in place to support the governance of sustainability performance in South Africa’s banks?

As discussed in the construct above, governance comprises structures, processes, and policies that enable the management of an organisation to direct, monitor, and drive good performance. This perspective was also offered in relation to banks. In this construct, the participants discuss the governance practices currently taking place within the banking sector through the lens of internal and external governance mechanisms as well as voluntary and involuntary mechanisms.

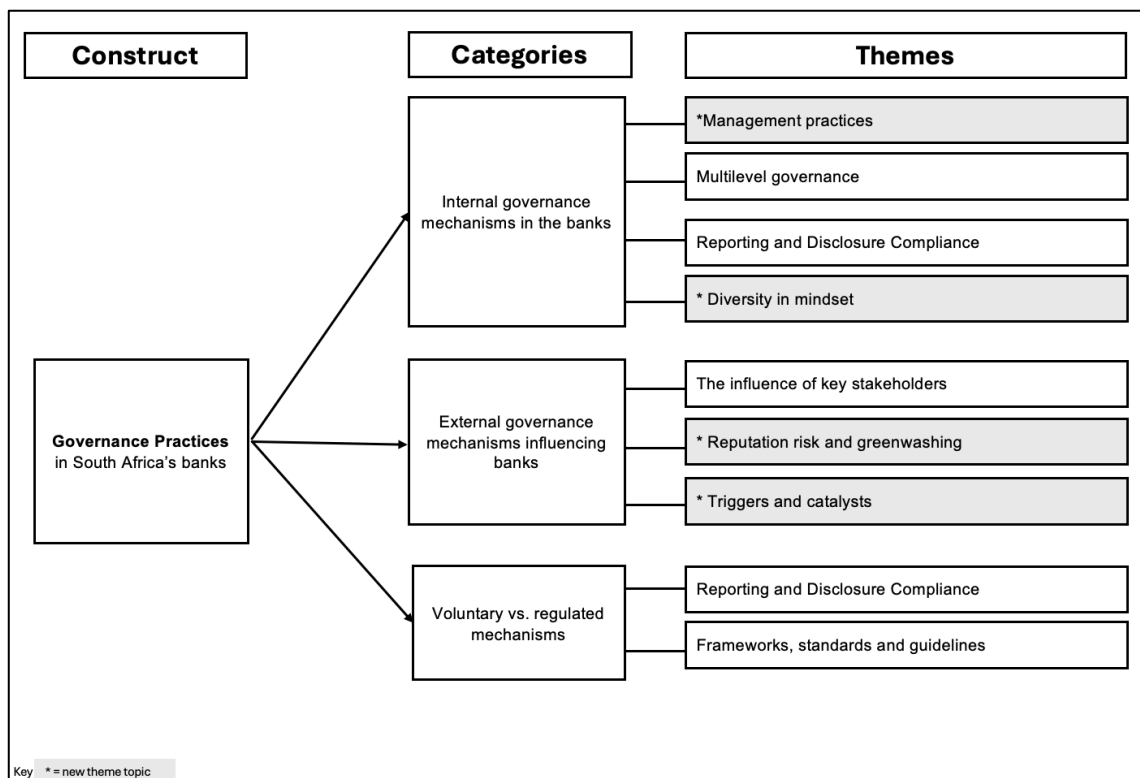


Figure 5: Governance Practices in SA Banks

Source: Author's own construct

5.4.1 Internal Governance Mechanisms in the Banks

5.4.1.1 Key Findings

Multiple governance mechanisms encompass governance practices falling largely between voluntary and involuntary governance and internal and external mechanisms. This section of the research will discuss these subgroups, as proposed by the research participants.

The evidence suggested that all the banks have an array of internal and external mechanisms at their disposal, as well as those falling into the informal and formal category of governance mechanisms. Among some of the topics that surfaced by the participants were management committees or forums, policies, REM linked to performance, and, of course, the role of the board and SET committee; again, risk was woven into this topic. There was also mention of multilevel governance in the form of management committees and forums spanning across banks. Two participants from the Banking Sustainability Professionals subgroup stated the following of their mechanisms:

Then, we created a management forum with ESG representatives from every single area of the business and geography. And then at that they meet once a month.

Okay, so we've got charters, yeah, for our board and exco committees, but the smaller committees like we've got to keep our steerco looking at the amalgamation of all those people activities.

As with this subgroup, the Banker subgroup expressed the exact application of their governance systems. They cited the size and geographies of their organisation that required coordination and, as such, warranted decentralised or delegated authority. This is aligned with both the Banking Sustainability Professionals subgroup.

But on a day-to-day basis, we are on the operational and executive level, and internal governance becomes your license to operate. I mean, you spoke about the consequences of non-compliance, right? We know internally, equally, that they play a significant role in the way we trade as a bank; I just think certain aspects of governance become much more amplified depending on where you sit in the organisation.

The rest of the participants were aligned on the importance of internal and external governance coexisting for governance to be effective. This will be discussed in the latter part of the paper.

5.4.1.2 In-case and Cross-Case Analysis

The interplay between internal and external mechanisms was discussed in great detail, with the various subgroups offering their perspectives. The group was divided, with the banks in the form of Banking Sustainability Professionals and Bankers having the view that their internal mechanisms were sufficient and that they were complicit with all the external requirements. The Activist subgroup representing civil society challenged this view held by the banks regarding their disclosures and highlighted the importance of assurance to the claims made by banks. Furthermore, the Consulting Sustainability Experts believed that as an internal mechanism, the bank boards were found wanting in terms of diversity in mindset required to shift governance to consider sustainability issues and sustainability-related skills – an aspect raised in the Activist group.

Table 14: Theme Evidence: Internal Governance Mechanisms

Theme: The Internal Corporate Governance Mechanisms	Subgroup
<i>Then, we created a management forum with ESG representatives from every single area of the business and geography. And then they meet once a month. Then, there was a forum for the South African side. There was a forum in the UK. There was a forum for wealth.</i>	1 – Banking Sustainability Professional: Strategy

<p><i>There was a forum for investment banking and corporate banking.</i> (TDS)</p>	
<p><i>... so there's also committees that we have, more informal, not exco or board, but where we bring together strategy, risk, compliance, finance, to actually ensure that we are aligned on what we do, and also aligned in our ask to business clusters that don't go to the business cluster and ask the same thing.</i> (VBN)</p>	<p>1- Banking Sustainability Professional: Strategy</p>
<p><i>... but I do not think that even if we are the strongest, even if I mean everybody potentially, when they look at their reports, governance wise, risk controls, we are so spot on. We are actually multilayered: second line, third line and external audit. But if we are really sustainable. This will not be an issue. The climate will not be an issue. How we fund it. The missing middle will not exist. Cashless will not be a dream. There are so many things that could have made decisions a long time ago, 20 years ago.</i> (DMA)</p>	<p>1- Banking Sustainability Professional: Strategy</p>
<p><i>So, to explain how it sits with us, our corporate scorecard, and that's our annual one, which is what you know, sits at the CEO level; everyone down is measured. You know, these are the big high-level targets you've got to achieve your stretch, and that's your long-term and your short-term incentives are linked to your scorecard. Sustainability sits. It's a big element on its own, and we've got, CSI, HR, everything, but from like a net zero commitment, it's sitting in that scorecard.</i> (LSB)</p>	<p>2 – Banker</p>
<p><i>But essentially, this needs an entirely new mindset, which will take a new set of directors, and it also needs, like, a fundamental change to the financial system.</i> (CDT)</p>	<p>3 – Consulting Sustainability Expert: Industry Body</p>
<p><i>Sometimes, we've always relied on champions. Eventually, if the CEO gets it, that company will be on a good trajectory.</i> (AOU)</p>	<p>3 – Consulting Sustainability Expert: Industry Body</p>
<p><i>But for me, personally, I've always pushed for REM to be included in the scorecard because if you are not, and this is also what I've seen if you're not remunerated, you're not going to pay any attention to it.</i> (LNJ)</p>	<p>3 – Sustainability Expert: Industry Body</p>

<p><i>So, banks, banks will say, we have five board directors who have sustainability skills. What does that mean in terms of sustainability skills? How are you defining it, and how are you ensuring when you do look at your board tenure, your board longevity and your kind of skills dispersal. Are you doing enough to ensure that you have a diversity of skills within there, too? (KBJ)</i></p>	<p>4 – Activist: Civil Society</p>
<p>So yes, even though sometimes, you know, you often see companies and they say, you know, we won this award and that award, and we, we're a member of this, and we remember of that and blah, blah, blah, blah, blah, and you think, what on earth? But it does, in a way, yes, lend credibility to what you do, assuming that those organisations come and make sure that you do what you say. So do what you say. (TBS)</p>	<p>4 – Activist: Investor</p>
<p><i>External cannot be reported on if it is not internally supported. (DLK)</i></p>	<p>5 – Governance Expert: Consultant</p>

There were various internal mechanisms mentioned; however, across both the Banker subgroup and the Banking Sustainability Experts, there was a shared appreciation for multilevel governance in the form of committees, audit (internal and external) as an assurance layer, forums and policies as well as the view that reporting ensures that compliance is upheld. This view of reporting being an output of how effectively governance is managed was shared by a member of the Governance Expert subgroup. Another finding that surfaced among the participants, particularly in the Banking Sustainability Professionals and the Sustainability Experts, specifically those from the Industry Body, is the concept of scorecards or KPIs linked to remuneration. It seemed to be a prolific mechanism used across all the banks, closely linked to the aspect of disclosure, and the extent to which the banks disclose was a concern highlighted by the Activist subgroup.

5.4.1.3 Theme Conclusion

In light of the previous section relating to the corporate governance of South African organisations, it was difficult to separate the external from internal governance mechanisms to grasp exactly which was most utilised. Apart from calling out regulation, the view among participants is that these concepts are so tightly interwoven. Many of the participants (Banking Sustainability Professionals, activists, and Consulting Sustainability Experts) raised reputation risk as an external mechanism that seemed to enforce compliance. However, another challenge is that the South African landscape is more forgiving, and the implications of a

reputational fallout are very short-lived. A significant and exciting finding was a sentiment shared broadly across the groups of this need for “diversity in mindset” as an internal mechanism in the form of board representatives and management practices. One participant inferred that change (and by change, we relate to sustainability integrating with governance systems) will only result once a new breed of directors are in place and that the next generation of directors is our only hope, stating that change is unlikely given the current composition of boards, stating, “We're not going to get new thinking. We're still hiring the same old people like it just doesn't make sense, right? But look at corporate boards exactly the same 60 and largely white men.” This finding is associated with the concept of competence and capabilities required to transform into sustainability-integrated banks. This is a topic that will be discussed in the latter part of this chapter.

5.4.2 External Governance Mechanisms in Banks

5.4.2.1 Key Findings

Much like the internal mechanisms discussed above, there is a myriad of external governance mechanisms at the disposal of the banks; some of the findings emanating from the discussions with the participants include regulatory compliance, shareholder pressure, investor pressure, reputation risk management and reactive responses to risks – by far my most intriguing finding. This concept of triggers as catalysts. This will be discussed in detail in the Chapter to follow.

A participant from the Corporate Governance Expert subgroup offered this perspective on this external mechanism:

Have you heard of activist investors? I'll tell you that they do. Ah, so they don't like the face of one board member, they will vote against anything you put forward, as point to the board. So, when you ask the question, you've got a million parties that have an interest in the outcome.

Challenging the effectiveness of reporting as a mechanism was a participant in the Consulting Sustainability Experts subgroup, suggesting that reporting is symbolic and doesn't offer a significant shift to sustainability performance governance practices:

To be perfectly frank, yeah, companies, of course, they claim otherwise, and they report otherwise, and we report for them otherwise. But essentially, what you're doing is building your report and your disclosures around what you're already doing.

Expressing their frustration with reporting as a practice was a banker in the Banking Sustainability Professional subgroup:

So I always think that if you ask me what time it is, and I'm the only one with the watch, I can tell you anytime, right? Yeah, and you're going to have to believe it, because there's no other time, there's no other watch, there's no other system.

5.4.2.2 In-case and Cross-case Analysis

Table 15: Theme Evidence: External Corporate Governance Mechanisms

Theme: The External Corporate Governance Mechanisms	Subgroup
<i>So, I do think that you know already we are, there's so much influence that we get from external then reputation then becomes one of the biggest risks you know that we have to manage because our reputation is something that is so sensitive to sentiment, which is money, then reputation is quite Good. (DMA)</i>	1 – Banking Sustainability Professional: Strategy
<i>I think it's very, very important to look at how activists are coming to the fore and how it's become a reputational risk. (VBN)</i>	1- Banking Sustainability Professional: Strategy
<i>So, operations and then obviously internal audits and advisory. (LSB)</i>	2 – Banker
<i>So, for me, if it triggers, a trigger is what's going to take for you to understand your responsibility for human rights. So be it. I mean, we can't divorce human nature from these things. (AOU)</i>	3 –Sustainability Expert: Industry Body
<i>Hopefully, we start getting more investor pressure. (CDT)</i>	3 - Consulting Sustainability Expert
<i>From an external perspective, I think there's always this interplay between compliance pressure and voluntary disclosure, and I think we're at the point where we're going to need to see a lot more compliance coming down the pipe. (KBJ)</i>	4 – Activist: Civil Society
<i>Yeah, I think, yeah. I think regulation is important because, you know, companies, as we said in the beginning, companies are there to make a profit, and but the overarching, I got this dynamic tension between companies that want to make a lot of money and call it, you know, how has government evolved?...So what the government also needs to do is to say, you know, here are the rules for engagement, and then the same for everybody. (TBS)</i>	4 – Activist: Investor

<i>External cannot be reported on if it is not internally supported. (DLK)</i>	5 – Governance Expert: Consultant
<i>How do you how do you have a set of norms that that are absolutely applicable to all in sundry. And so, I think you do need to have a bit like King, a concept of outcomes rather than rules. Because when we have rules, we just tick it off, and we're done. So, maybe the regulator should be around. What are some of the outcomes that we need to be significantly focused on in different industries and understanding that within the industry, there could be one extreme through to another? (PJF)</i>	5 – Governance Expert: Consultant & Scholar

5.4.2.3 Theme conclusions

External mechanisms are part and parcel of this environment, as pointed out by one participant who remarked, "Yeah, look, I think we a bank as a unit. It's actually orchestrated by external factors, right?" as he considered the role played by the regulators in this sector, and the role growing significance of reputational risks.

It is difficult to ascertain which of these mechanisms significantly affects the bank's sustainability performance. Some participants regarded reporting as business as usual, others as a form of integrated thinking, while another view postulated that reporting from the banks is symbolic and lacks balance. There was even division regarding the concept of enforced compliance, which was regarded to have unintended consequences, though supported by some of the participants in the Banking Sustainability Professionals subgroup, frustrated by the perceived lack of change in behaviour as it pertains to sustainability-related matters.

5.4.3 Voluntary and Involuntary Corporate Governance Mechanisms

5.4.3.1 Key Findings

It has been discussed that both constructs are largely voluntary and subject to interpretation; as such, the various banks have, at minimum, complied, based on their reports, with the requirements of the King Code and have also adopted several frameworks, standards and guides as part of their governance and sustainability practices. Among the most prolific is the GRI, which has existed for many years and was the initial attempt to create reporting to consider sustainability practices. Among the theme topics that emerged in this part of the discussions were reporting, disclosures, regulation and legislative compliance, and a plea for consolidation of standards, frameworks and guidelines. Enforcement also surfaced here

again, which is natural, given that the conversation discussed regulation. A respondent from the Sustainability Experts, specifically in repressing the Industry Bodies, made the following remark regarding voluntary reporting:

Now, if you go read all of that, you'll see it's not there. But because integrated reporting in the framework got so widely adopted by King IV, you know, it's accepted.

In terms of involuntary mechanisms, a strong stance was put forward by the Activist: Civil Society, regarding the role of externally regulated compliance pressure:

... and financial risk models are important because you can't just turn around and tell the SARB that you're not going to do that, and at the same time, I think the kind of ISSB, S1 and S2 harmonisation, so getting rid of TCFD and kind of voluntary disclosure, and looking at that, I think I'm slightly I'm slightly more Hobbesian in that sense, in that I think you need that compliance pressure to drive change and to drive meaningful change.

5.4.3.2 In-case and Cross-case Analysis

All participants agreed that too many standards, frameworks, and guidelines exist. The Consulting Sustainability Experts were the most vocal, suggesting that with this reporting volume, some rigour can be lost, and it becomes reporting for reporting's sake. There was a diverse view on how the involuntary mechanism will affect the sector's sustainability performance, with some concern regarding the upcoming ISSB S1 and S2 frameworks coming into effect. This came across strongly in subgroups 1 and 2 (Banking Sustainability Professionals and Consulting Sustainability Experts).

Table 16: Theme Evidence: Voluntary and Involuntary Governance Mechanisms

Theme: Voluntary and Involuntary Corporate Governance Mechanisms	Subgroup
<i>You have to have both internal and external mechanisms in place. And I think the external, when you say external mechanisms being forced to measure and monitor and track because of regulations or because of, you know, stakeholders asking for that information, it's a good thing.</i> (TDS)	1 – Banking Sustainability Professional: Strategy
<i>Now you can imagine the law now says integrated reporting. You know, you've got to report so they can see how its impacting how your decisions and your governance and risks taking mechanisms are</i>	1 – Banking Sustainability Professional: Strategy

<i>impacting the whole world from an ESG perspective, so that is already an influence. (DMA)</i>	
<i>But I think there's an expectation to have at least one framework that you adopt that is, you know, of international standards, yeah, one and which we do, right? We've got King IV. It's embedded in our in our governance framework. But yeah, also internally or locally, we've got various two strong regulators, the Central Bank, the Reserve Bank, right? (LMS)</i>	2 – Banker
<i>You have to have punitive legislation for people, too. Because society, unfortunately, if it's not hurting my back pockets, it doesn't affect me, it doesn't affect me. (LSB)</i>	2 – Banker
<i>Companies are now running around reporting then reporting in instead of challenging those resources to deepening the work. So, it is true that companies are overwhelmed by reporting requirements, and regulatory requirements, but what they have asked companies need regulation to remember that the government is supposed to create like an enabling environment, and companies need predictability. So, regulation is not a bad thing. Yeah. They're saying is that let us be let regulation be streamlined, modernised. Certain, not contradictory. (AOU)</i>	3 –Sustainability Expert: Industry Body
<i>And I think therein lies the problem. How do you how do you have a set of norms that that are absolutely applicable to all in sundry. And so, I think you do need to have a bit like King, a concept of outcomes rather than rules. Because when we have rules, we just tick it off and we're done. Outcomes is a different concept in a way. (AGL)</i>	3 - Consulting Sustainability Expert
<i>So, it's quite voluntary as well. Yeah, it's quite voluntary. Any regulation that there is kind of at the minimum level, so rather than, you know, striving for like the best, it sets, sets the bar low. (CDT)</i>	3 - Consulting Sustainability Expert
<i>And I think I mean just in terms of comparability, it's really, really difficult to all banks essentially have the same operating model right. Yet it's near impossible to compare like for like when you're looking at environmental impact when you're looking at social impact because the way in which things are disclosed are almost deliberately designed to emphasise marginal gains and I'm not saying that banks shouldn't celebrate their successes, but yeah, you when you over capitalise on kind of small successes and under-report on your failures. That's,</i>	4 – Activist: Civil Society

<i>that's, that's incomplete and impartial disclosure. It's not; it's not good enough, right? (KJB)</i>	
<i>And I think one of the one of the problems with business today is, business is very complex, and it's got lots of different machinations, in a sense, and so I think the real problem for the regulator is, how do I find a singular set of things that I can apply not only to the Standard Bank, but also to Discovery Bank, which might be a totally different setup, or whatever. (PJF)</i>	5 – Governance Expert: Consultant & Scholar

5.4.3.3 Theme Conclusions

All of the experts, apart from the Banker subgroup – and perhaps due to the proximity of sustainability governance – agreed that there was a need to standardise or consolidate the reporting frameworks, guidelines and standards, and as such, organisations are left to ascertain for themselves which is relevant for them. This impacts comparability and is being perceived as impartial disclosure by some stakeholders. Reporting was the strongest and most divisive mechanism. Firstly, due to this being mandatory and voluntary – sustainability reporting is mandated by the JSE listing requirements, but is currently not in the Companies Act, however work this regard is underway to make amendments to the Companies Act. Secondly, due to the multitude of reporting requirements in the market for banks, these views were supported across the subgroups, but for the bankers, with a participant from the Governance Expert subgroup asserting, “... is there are too many sustainability measures out there. And what does that do? Well, you know, I'll find the appropriate measure that works, that suits me.”

The view of making sustainability reporting a legislated and enforced compliance was the subject of significant debate. There was mention of the capability to enforce and whether or not enforcement drives performance from both protagonists and anti-enforcement participants. There is definitely a varied view in this regard. This theme topic will be discussed in the latter part of this paper. It is noteworthy, however, the interconnected nature of these concepts.

5.4.4 Theoretical category conclusion

To answer the question associated with this section, "sub RQ2: What type of structures are in place to support the governance of sustainability in South African banks?" It was important to ascertain the level of alignment among participants on their definition of corporate governance and the outcomes it is meant to drive.

Some of the key findings included, that banks are on the surface ticking all the boxes that comply with external regulation and the imposed internal obligations that result. This is to say, the banking context is highly regulated and monitored, so all the banks are compliant. Challenges posed by the Sustainability Experts and Activists included the concept of going beyond compliance with respect to sustainability performance, which, as cited above, considered how banks set their targets, their lack of ambition as it pertains to tackling sustainability-related issues, and how banks report on performance, which was regarded as lacking balance. The frequency table below, Table 17, provides a view of the alignment and prominence across this theoretical category firstly between the banking professionals and then examines if the prominence of themes aligns between the banking professionals and the rest of the experts.

Table 17: Research Summary Table – Construct 2: Corporate Governance Practices

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Internal Governance Mechanisms In The Bank	Management Practices	●	●	●	●	●	●	●
	Multi-level Governance	◐	●	●	●	●	●	●
	Reporting & Disclosure Compliance	◐	●	●	◐	●	●	●
	Diversity of Mindsets	◐	◐	◐	●	●	●	●
External Governance Mechanisms Influencing Banks	Key Stakeholder Influence	●	●	●	●	●	●	●
	Reputation and Greenwashing	◐	●	●	○	●	●	◐
	Triggers and Catalysts	◐	◐	◐	○	●	●	◐
Voluntary vs. regulated mechanisms	Reporting and Disclosure Compliance	◐	●	●	◐	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	◐	●	●	●

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

5.5 CONSTRUCT 3: RESEARCH FINDINGS UNDERSTANDING CORPORATE SUSTAINABILITY IN SOUTH AFRICA'S BANKS

RQ1: How does corporate governance integrate with corporate sustainability performance in South Africa's banks?

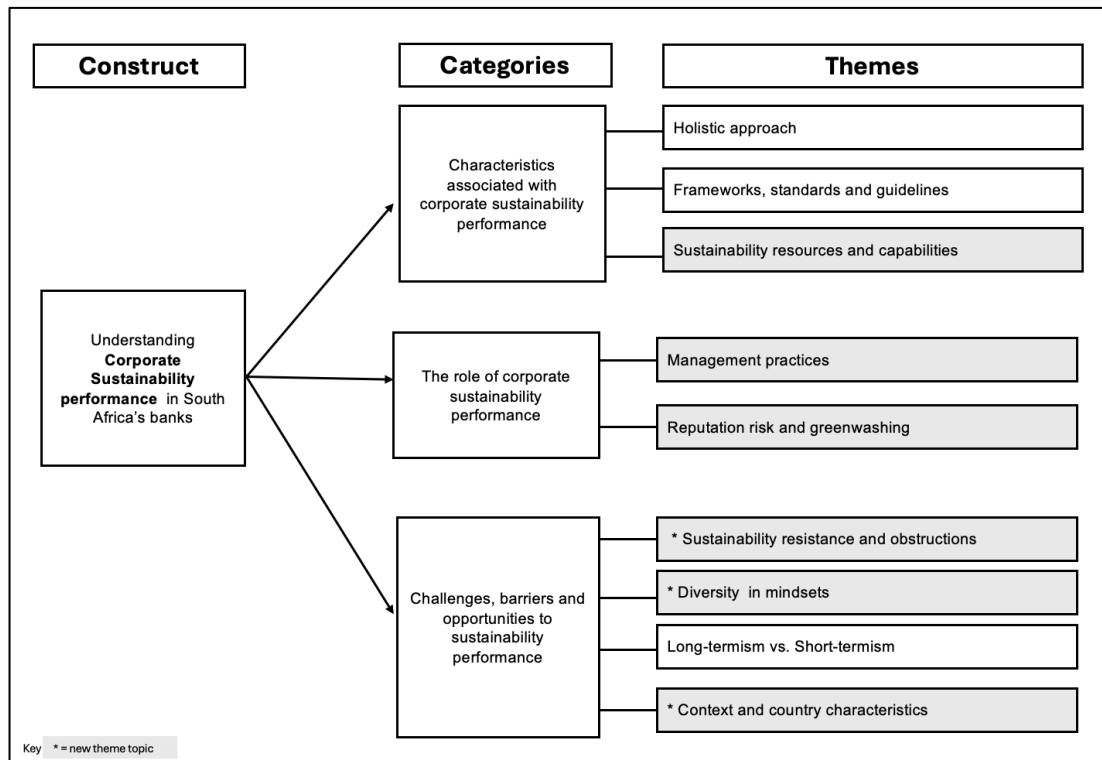


Figure 6: Understanding Corporate Sustainability Performance In South Africa's Banks

Source: Author's own construct

5.5.1 Characteristics Associated with Corporate Sustainability Performance

5.5.1.1 Key Findings

Much like corporate governance, sustainability performance is subject to voluntary and involuntary mechanisms. Again, in tackling this question, participants were requested to articulate their understanding of what it means to be a sustainable organisation and then overlay this perspective of what performance means relative to this view offered.

Resoundingly the entire participant group had a view of sustainability relating to organisations existing to serve a broad spectrum of stakeholders. Words such as society, development, positive outcomes, impacts, risk management and ecosystem were strongly associated with this response. The Banking Sustainability Professionals subgroup stated that there is a distinct difference between corporate social investment and sustainability. The respondents in the

Banker and the Sustainability Experts subgroups supported this view. A Banker from subgroup 2 said:

yeah, so I mean sustainability is basically a framework or a guideline that the institution adopts to make sure that you know it, it functions in a way that produces sustainable outcomes, not just for its shareholders, but for the communities it serves.

So, it's elements like that where financial inclusion can change the way that business operates, the way that sustainability is considered, and we apply future thinking by instead of doing a CSI project of going to pick up rubbish or kissing a baby, that is financial inclusion,

There is undoubtedly a strong sense that sustainability is holistic, isn't a separate function of the organisation and is or should be aligned with the bank's purpose, and as such the bank should conduct itself accordingly. The topic of sustainability performance brought up similar issues to those discussed above regarding targets and the view that these are not aligned with science – particularly those relating to climate change; these were views shared by both the Activist subgroup and the Consulting Sustainability Experts.

5.5.1.2 In-case and Cross-case Analysis

Other areas of discourse and alignment were with the pace at which sustainability is progressing in the sector. The Activist subgroup expressed frustration at the pace despite acknowledging the complexity involved with implementing, tracking and monitoring sustainability practices and performance. The Banking Sustainability Professionals aligned on the incremental approach to sustainability, expressing the challenges with integration, such as capabilities, resources and sustainability resistance. They did, however, acknowledge the progress achieved. Some details regarding the areas of alignment and discourse are discussed in the evidence presented below.

Table 18: Theme Evidence: Sustainability Characteristics

Theme: Sustainability Characteristics in South Africa's Banks	Subgroup
<i>We spoke about, you know, affecting the elements of thinking about the future generation. (DAR)</i>	1 – Banking Sustainability Professional: Strategy
<i>And even if I look at things like inclusive financing, finding innovative products. You know, I mean the unbanked markets, low-income earners in terms of home buying and all of that. They are, you know,</i>	1 – Banking Sustainability

<p><i>finding digital penetration so that anybody can have a service, cost centres, all that. It's always been there to say, how do we how do we expand this thing, right? (DMA)</i></p>	<p>Professional: Strategy</p>
<p><i>... from our purpose and from our strategic objectives, and from the way our board and senior leadership is sort of leading us. Senior leadership is leading the strategy, so, so I firmly believe that it contributes to the success of this organisation and that there's sufficient focus on it. (WKS)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>So, it wasn't corporate responsibility, it wasn't CSI or anything else that they were calling it back then. It was very much all, all areas of environment, people, planet profit. (TDFI)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>So, sustainability, to us, means that that business is building its own resilience, right, is very aware of its impacts. Because, um, for a long time, I think the understanding was that we must build our financial resilience or sustainability. But recent events have shown that sometimes when companies die, it's it could be from a social perspective. (AOU)</i></p>	<p>3 –Sustainability Expert: Industry Body</p>
<p><i>But depending on who you speak to, it's kind of a yes or no because you've included sustainability as an exec portfolio without necessarily giving that exec then required skills or understanding, and that is causing a bit of fracture and dysfunction in quite a lot of companies, from a sustainability perspective, from what I'm picking up, but if you give it to the right executive, You can see them trying to push boundaries and actually paying more than lip service. (LNJ)</i></p>	<p>3 –Sustainability Expert: Industry Body</p>
<p><i>... corporate sustainability must be integral in a way that corporate sustainability is not actually a thing. It's actually, you know, I think corporate sustainability is seen as something separate that's looking at environmental and social issues. But actually, it's about, is a business going to be financially viable in the long term? And if it is going to be financially viable in the long term, you know, do they understand what? Do they understand the increasing risks their business faces? Do they understand their impact and dependencies on the context in which, in which you know they're operating and how do they make decisions with that in mind? (AGL)</i></p>	<p>3 - Sustainability Expert: Strategy</p>

<p><i>I don't think sustainability should be seen as something separate, like it's not the role of sustainability or sustainability. I mean, like in its definition, I mean sustainability is just about the long-term longevity and sustainability of the organisation and about creating value in the long term. (CDT)</i></p>	<p>3 - Consulting Sustainability Expert</p>
<p><i>It cannot be a silo of a few people, kind of what would typically have fallen in that little bracket with kind of very passionate, very passionate wanting to change the world, types who are kind of seen as like a fringe movement within the bank and not being taken seriously by leadership. (KJB)</i></p>	<p>4 – Activist: Civil Society</p>
<p><i>And then surely, the role of governance is to ensure that that strategy is first of all appropriate, and given that it's appropriate, that it is then being applied correctly or appropriately, or pragmatically, in a sense, and I do think the banks are in a particularly invidious position because the sustainability of Bank X has everything to do with the sustainability of their customer base and their supplier base, in a sense. And it's all pretty well to say, oh, we need to be sort of cognizant of the environment and all that sort of thing, (PJF)</i></p>	<p>5 – Governance Expert: Consultant & Scholar</p>

5.5.1.3 Theme Conclusions

This theme produced the most alignment across all the groups. There was a universal understanding of what sustainability is, referring to it as a long-term view, having to do with trade-offs, and similar to governance in that the measurement of sustainability is an array of frameworks, standards and guidelines. In this vein, there was alignment among the Banking Sustainability Professionals, the Sustainability Experts, and Governance Experts that there is a need to standardise and consolidate the reporting frameworks, for comparability. The challenge that the Governance Experts and Sustainability Professionals, and Sustainability Experts were aligned on was that currently selecting the "right" reporting framework was left at the discretion of the banks, with the following comment from a Banking Sustainability Professional: "You know, people really are struggling to understand what measurables are most relevant."

The role of leadership came through very strongly here, from the board and elevating sustainability to the organisation's top management team (TMT). All groups agreed that sustainability is not a function that is separate from the bank's day-to-day operations and decision-making.

A challenge was raised by the Sustainability Expert: Strategy subgroup which was similar to the challenge raised by the Activist subgroup, regarding the need for sustainability performance targets to be aligned with science. A Sustainability Expert: Strategy subgroup member posed the following "We are apprehensive to show because we are not always going to get it right, but can we show that we're making decisions using robust processes that have regard to our context and that are consistent over time and informed by science, because then I think even if you get decisions wrong, you're able to show because I think that's another challenge that organisations face, is they're worried about putting public information out in the public because they don't want to get it wrong and what if they do get it wrong, and what does that mean for them from a risk perspective..." this feedback aligns to the view shared by the Activist subgroup regarding the perceived partial disclosures as mentioned in the previous section.

5.5.2 The Role of Corporate Sustainability Performance

5.5.2.1 Key Findings

The role of sustainability performance, much like that of corporate governance discussed above, is associated with behaviours or outcomes. Those that were predominant with this response included risk management, materiality, purpose, ESG, financial inclusion, strategy integration, purpose, senior management and the board, people, planet and profit. Again, there was consensus among the groups on outcomes related to sustainability performance. Though the terminology varied in frequency, the alignment among all the groups is that sustainability performance means looking after an ecosystem of stakeholders, going beyond compliance and being deliberate. A participant from the Sustainability Experts: Industry Body subgroup had this to say:

The way we'll measure success of our work is when the different units, the different portfolios within a bank, for instance, now understand their sustainability responsibilities.

The data shows that there is a shared understanding of corporate sustainability performance, much like the shared understanding of sustainability discussed in section 5.5.1 above. That said, the Banking Sustainability Professionals expressed the need to take sustainability practices slowly and in an incremental manner, citing the challenges with the complexity of their businesses, as well as the growing knowledge in this field resulting in different approaches and challenges setting attainable or realistic targets. A Banking Sustainability Professional had this to say:

So, you know, it brings into question about concepts. So, this notion of isomorphism, yeah, the whole net-zero race, both in the past five years, where every single company was saying they would achieve net zero by 2050, the number of targets. So, it was very easy to kind of set this ambition, but the whole issue came into whether it has been tested. Just recently, BP reneged on their targets. So, like you see, even some of the asset managers have taken their participation role out of the Net Zero Banking Alliance.

5.5.2.2 In-case and Cross-Case Analysis

As detailed, this was among the most aligned views of the participants' responses. Shared views were common regarding the depth required for sustainability to be entrenched in the business, the leadership needed to facilitate this type of entrenchment, and some of the challenges experienced in their approaches.

Table 19: Theme Evidence: The Role of Sustainability Performance

Theme: The Role of Sustainability Performance	Subgroup
<i>Yes, so I think for a business to be a going concern means profits come first. Otherwise, you wouldn't be operating...I would say like funding towards fields that have a positive impact on society... (DAR)</i>	1 – Banking Sustainability Professional: Strategy
<i>And there's not a lot of people who understand sustainability from a compliance perspective. (TDFI)</i>	1 – Banking Sustainability Professional: Strategy
<i>So, I think very much looking at the reputational risk of non-compliance, but also opportunities. (VBN)</i>	1 – Banking Sustainability Professional: Strategy
<i>If you don't have a governance structure that enables the business to make sure that capital is acting for the long term, if capital is pricing in the true costs of business activities, the kind of the social and environmental risk factors, and if you are not innovating financial structures to serve sustainable businesses, you know, if that's not kind of built into how you make decisions, whether to take on projects or not to take on projects, how much funding to provide, then you kind of dead in the water because,... if your governance framework doesn't allow</i>	3 - Sustainability Expert: Strategy

<i>you to step away from that and consider again, your context, your impact and dependencies, and what that means for the future viability of your business, then you are going to continually go back to what it is the second nature for all of us... (AGL)</i>	
<i>But then, if you think about saying that the financial services sector. What does sustainability often mean, it means, how can I reduce my, you know, my impact on the planet through my own activities? (TBS)</i>	4 – Activist: Investor
<i>what does sustainability performance actually mean so for me ... You have to have clear decarbonisation targets you're working to disclose accurately, transparently and proactively on them, and you also have clear inequality targets that you're again disclosing clearly, accurately and meaningfully in terms of that, no bank has got the governance structures that are facilitating it, because, like, like we've said, progress is slow, progress is incremental, and everyone is using this kind of organisational inertia around being afraid, to be too ambitious, to limit what they what their performance and what success should actually look like. (KJB)</i>	4 – Activist: Civil Society
<i>So, it needs to be a going concern, and it needs to earn an investment which will enable it to prosper and grow, to maintain itself. (DLK)</i>	5 – Governance Expert: Consultant
<i>So inherent in the organisation is we need to do things which will enable sustainability to occur, whether it's around our supplier or whether it's around our customer, or whether it's around how we do things. And I think all too often, sustainability is limited to what it is we do? So, hey, can we use less water? Can we use less electricity? All that good stuff ... (PJF)</i>	5 – Governance Expert: Consultant & Scholar

5.5.2.3 Theoretical Conclusions

As discussed, there was a consensus among the participants regarding sustainability, the most intriguing being that a bank needs to be profitable first or at least a going concern to be sustainable, linking sustainability to financial performance. This was a view shared by the Banking Sustainability Professionals and the Governance Experts. The concept of weak or shallow sustainability came up, this view being that banks and other organisations in general look inward to reduce their own impact as the first phase of implementing sustainability practices and monitor those prior to going broader, the Sustainability Experts shared this view, as did the Governance Experts and Banking Sustainability Professionals.

Performance, in the main, speaks to deliverables, and in this regard, participants mentioned the difficulty in providing targets that can be substantiated by science, citing this as a challenge irrespective of the industry. Examples of how many companies declared their net zero ambitions only to renege on these because of the complexity of actually achieving these. This view was a sentiment shared by the Banking Sustainability Professionals, and the Sustainability Experts and the Activists.

5.5.3 The Challenges, Barriers and Opportunities to Sustainability Performance

5.5.3.1 Key Findings

This portion of the questions produced the concept of sustainability resistance, which was an unexpected finding due to the research's assumptions regarding this view. The participants shared generally similar feedback on this aspect, such as a lack of understanding, deliberate obstructive behaviour, and lack of leadership support. Another strong theme that emerged here was this view of a particular type of mindset required to effect change, also falling in the leadership dimension.

The vocal and most aligned subgroups in this regard were the Banking Sustainability Professionals and the Consulting Sustainability Experts. This view was supported by the Governance Professionals were of the view that sustainability performance and governance system integration should not be up for debate.

The Activists wanted proof of the claims asserted by banks in terms of their sustainability performance – so reporting and legitimacy came out strongly from this group, as well as this view that external bodies or standards, in this case, IFRS or the OECD guidelines, provide validity through assurance. This view was shared among the Banking Sustainability Professionals, the Activists, and the Sustainability Experts. A member of the Activist subgroup had this to say:

So, then you have to, obviously, measure it, manage it, and then you can prove that you're doing it ... And so you are saying, say, talk about, I think 13 is climate change, yeah. So, then, you have to measure your emissions. So then maybe that means that when you then you need somebody to verify that you are measuring your emissions. So, you might get CDP, a Carbon Disclosure product project, yeah, somebody comes along, and they measure your emissions, or, you know, you comply to, because there's all kinds of new reporting standards. So IFRS, you've got the IFRS sustainability standards, yeah, you have a yes, it's, I think, using these bodies that help you to measure gives you credibility that you are doing it. And also, they help you. They give you the metrics to measure.

However, all the groups primarily cited the balancing act of short-termism and taking this long-term approach to sustainability performance.

5.5.3.2 In-case and Cross Case Analysis

As stated above the themes that dominated this aspect of the discussion included sustainability resistance, balancing short-term and long term and the view that new mindsets are required to take action forward in sustainability performance.

Table 20: Theme Evidence: Sustainability Performance Barriers and Opportunities

Theme: Sustainability Performance Barriers and Opportunities	Subgroup
<i>Absolutely, it has taken a while, let's be honest, that corporate bankers do see ESG as an obstacle to business. (VBN)</i>	1 – Banking Sustainability Professional: Strategy
<i>It's a very slow process, and to mobilise the organisation to actually studying what they need to do for climate risk. (WKS B)</i>	1 – Banking Sustainability Professional: Strategy
<i>... but other board members would push back. like, you're taking this too far. So, no. And the same with our executives. The CEO 100% backed me, but there were some executives who thought this was a complete waste of time and would be as obstructive as possible because they didn't believe in it. (TDFI)</i>	1 – Banking Sustainability Professional: Strategy
<i>So yes, you can look at the short term. Your bottom line, it's your bottom line today, yes, will be impacted, but in five years or 10 years' time, if you help that business be sustainable, your bottom line, five or 10 years from now, will still exist. (LSB)</i>	2 – Banker
<i>Other stock exchanges have learned from South Africa. Right now, it's common around the world, and so those triggers help. Usually, there's a pushback. Most of the trend then was that you'd find that social and ethics committees were mostly led or had women in most companies. Members of social and ethics committees will tell you that the least paid, remunerated at what level they attract the least remuneration on the board for boards that remunerate. So that also tells you that initially, these issues are not seen as core to a company's success, because</i>	3 - Sustainability Expert: Strategy

<i>even on the way they treated that subcommittee of the board. It's now been elevated. (AGL)</i>	
<i>I think it will continue. But as I said, I think the big shift will come when we've got a kind of new generation of directors. (CDT)</i>	3 - Sustainability Expert: Strategy
<i>You need to already have known what, you need to know what your financed emissions are, and you need to have a clear roadmap in place around what the incremental milestones are going to be in the short, medium and long-term. And you need to, you know, your governance structures, basically, need to inform your resourcing plans around how you're going to get there. (KJB)</i>	4 – Activist: Civil Society
<i>So, I think it is, it's a, it's a massive change, and I think the investor also needs to recognise that, hey, there's a cost associated with that, and so we're not going to get the same returns as you might have in the past. (PJF)</i>	5 – Governance Expert: Consultant & Scholar

5.5.3.3 Theoretical Conclusions

The challenges and barriers cited by the participants acknowledge the complexity associated with this sector both from an internal and external perspective. There was consensus among the groups that banks need to consider the long-term and short-term balance of implementing sustainability practices in order to drive performance. The most pertinent finding is that a mindset shift needs to happen in this sector to progress on some of these challenges, which is also an opportunity. Finally, this challenge of mindset is exacerbated not only by the lack of sustainability skills but also the lack of sustainability understanding.

The role of leadership, in the form of the board and "person in charge", was also a view that ties in with this association of mindset and galvanising an organisation. This finding was very closely related to the internal governance mechanisms finding.

5.5.3.4 Theoretical Category Conclusion

In order to answer the question associated with this section, namely, "sub RQ2: What type of structures are in place to support the governance of sustainability in South African banks?" it was again important to align on as common an understanding of corporate sustainability performance as possible. This was to ensure that the results were comparable when it was discussed in relation to the sub-questions for the research. As discussed in section 5.5, there is a universal understanding of corporate sustainability performance among the subgroups, barring a few language nuances from the participants. In the main, the consensus was

reached that sustainability performance has been associated with leadership, diversity in mindset and the view that sustainability needs to be approached holistically. This concept of mindset and diversity was prevalent across all the subgroups; equally was the view that the reporting standards, frameworks and guides need consolidation. Concerns were raised regarding South Africa's current reporting rigour, which is regarded as a high international standard, and that this consolidation must not diminish this rigour to a level of basic compliance and nothing beyond.

Table 21: Research Summary – Construct 3: Understanding Corporate Sustainability

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional groups	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Characteristics Associated With Corporate Sustainability Performance	Holistic Approach	●	●	●	●	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	◐	●	●	●
	Sustainability Capabilities & Resources	●	●	●	◐	●	●	◐
The Role Of Corporate Sustainability Performance	Management Practices	●	●	●	●	●	●	●
	Reputation and Greenwashing	◐	◐	●	○	●	●	○
Voluntary Vs. Regulated Mechanisms	Sustainability Resistance	●	●	●	◐	●	●	◐
	Diversity of Mindsets	●	●	●	●	●	●	◐
	Long-termism vs. Short-termism	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

5,6 CONSTRUCT 4: RESEARCH FINDINGS CORPORATE SUSTAINABILITY STRATEGY INTEGRATION IN SOUTH AFRICA'S BANKS

Given that this Chapter began with the concept of structure, it was important to establish, as part of this construct, what type of structures exist within banks to facilitate the integration of sustainability performance into corporate governance systems. It was evident from the discussions that some banks have reviewed their sustainability organisations and embedded them into or integrated them with governance functions. This was not the case across all the banks, however.

RQ 2: What type of structures are in place to support the governance of corporate sustainability performance

In order to implement sustainability practises or performance, this complex subject needs to be understood, as best as possible, which requires the right capabilities. Similarly, sustainability performance requires that the sustainability strategy is implemented the performance monitored, tracked, reported on and communicated. Throughout these findings, the role of context has been discussed, and the implication of this context is that sustainability stages differ across banks and markets – as noted with the sustainability governance structures already in place in some banks. The participants from the banks with these structures provided the context of the structure's infancy; some banks alluded to these changes as they plan for their future human capital skills to address the magnitude of sustainability skills required within the banking sector.

Many of the themes that emerged from this discussion have been discussed in the other findings, inferring that these concepts are interrelated. Key findings from this construct include that sustainability does emerge from a risk mitigation and risk opportunity perspective, as well as inward review sustainability opportunities across the bank's value chains and operations. This is to say the that the bank's sustainability practices were initially through driving internal efficiencies and reducing their operational risks across its value chain and operations.

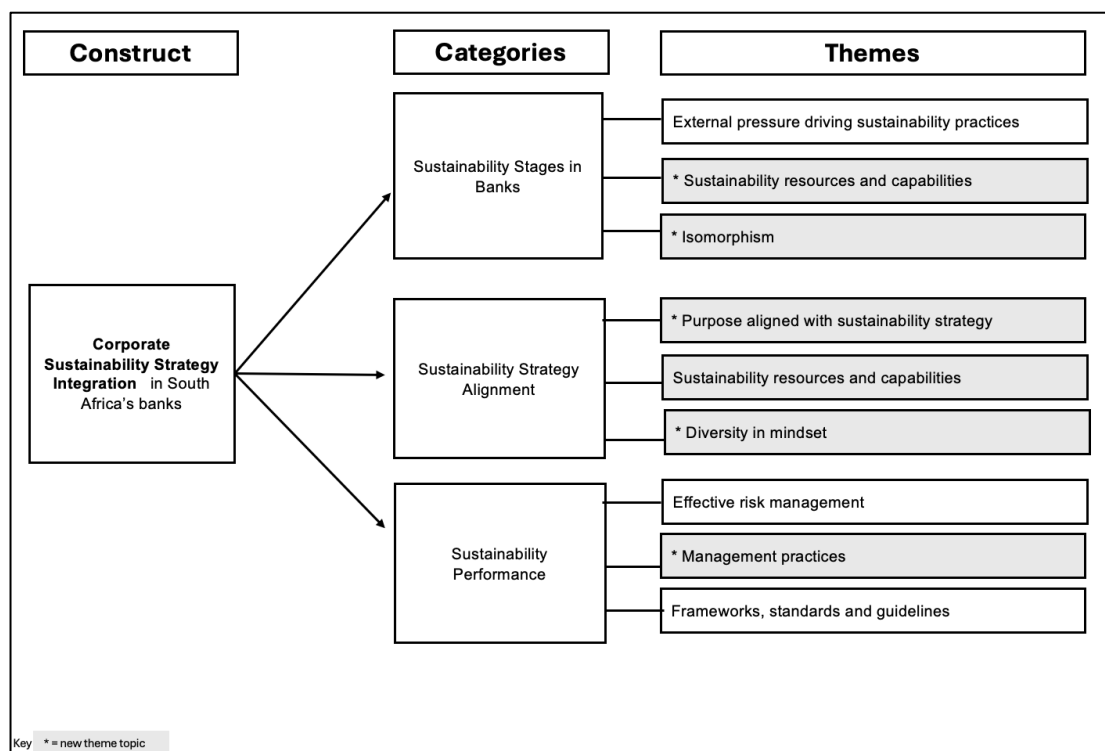


Figure 7: Corporate Sustainability Strategy Integration

Source: Author's own construct

5.6.1 Sustainability Stages in South Africa's Banks

5.6.1.1 Key Findings

Considering the definitions provided by the participants, it was important to establish their views on how sustainability practices came into effect in the respective banks. Many of the participants, particularly those in the Banking Sustainability Professionals subgroup, mentioned that sustainability has been or remains a journey. Additionally, in Chapter 2, it was discussed that some literature uses sustainability interchangeably with ESG and CSI.

In considering the progress of sustainability in her organisation, a participant remarked as follows:

So, it wasn't corporate responsibility, it wasn't CSI or anything else that they were called back then. It was very much all, all areas of environment, people, planet profit.

Furthermore, there was a shared view between the Banking Sustainability Professionals, Sustainability Consulting Experts regarding the view that sustainability in most instances

started out as a risk mitigation or at least viewed through the lens of risk management, and in that vein has taken an incremental progress approach across the organisation. Evidenced in the "elevation" of sustainability capabilities and resources to senior management level. Although the bank's structures differed, most a Chief Sustainability Officer in place. This role had representation at the board, a direct reporting line to the CEO and representation in the bank's TMT. However, the main alignment here was the theme of behaviours – again those associated with an expectation of ethical conduct on the part of the banks. This is articulated by this respondent quote below:

We are asking businesses to look more inward into their behaviour, right? So, the first part is business behaviour. How do you change the way you operate, even when you think you are doing great, but do an assessment and understand where your societal risks might emerge from, and then the second, the second way, or the second lens is the external lens into society, so behaviour is more internal, and then externally.

Some participants responded that certain external pressures were responsible for catalysing their sustainability efforts, either in the form of investors, compliance or the environment. Resoundingly, this view of "inside first" sustainability and triggers were common themes among the participants:

And I think there's a panic on at the moment because we're seeing what's happening with the environment, whether it's the floods in Florida now or the fires in Italy or whatever. And now, suddenly, everybody's panicking.

Another strong theme discussed and agreed to by all the respondents was the view of resources, employee buy-in and capabilities needed to equip banks with the ability to effectively implement sustainability practices and ultimately manage sustainability performance.

This category also highlights the themes of purpose, integrated thinking, management practices, frameworks, and effective risk management, showing the intertwined nature of the concepts under investigation.

5.6.1.2 In-case and Cross-case Analysis

The findings in this regard were emphatic that CSI is a component of sustainability as a strategy and a part of the company living its purpose. Additionally, this concept of purpose was related as integrated with sustainability; essentially, the participants believed that the banks exist for a purpose, among which is long-term financial viability and sustainability, which enables the banks to create more value through employment, for example. Additionally, as

discussed in this chapter, multilevel governance emerged here as a theme, as did board committees and ideal structure and reporting for elevated sustainability visibility.

Table 22: Theme Evidence: Sustainability Stages

Theme: Sustainability Stages in SA Banks	Subgroup
<p><i>... still, still in infancy. I mean, still challenging. I must say that. I mean, yes, an organisational design, yeah, has got a big impact on things that are needing a franchise response, right? So you know it's easy to say, do your thing and the thing is that when you consolidate, you realise we're doing so much, but when you start saying, let's try to ensure that we're all driving towards the same thing, setting up these, you know, sub-committees, and then trying to find the way in which, you know, they all find and manifest in business that can be more challenging. (DMA)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>In my opinion, it started with risk avoidance because if you're non-compliant with environmental legislation, the regulator can actually stop your business, and it becomes a credit risk. (VBN)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>So, I always say you have to have a house in order. So, first of all, you are living it. You are living sustainability. You are looking after your people. You are educating them, you are applying your, you know, human rights, all your social aspects, you apply internally. From an environmental perspective, you are using energy responsibly water. You know, everything has to be done internally before you can look at it externally. (TDFI)</i></p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>So yes, you can look at the short term. Your bottom line, it's your bottom line today, yes, will be impacted, but in five years or 10 years' time, if you help that business be sustainable, your bottom line, five or 10 years from now, will still exist. (LSB)</i></p>	<p>2 – Banker</p>
<p><i>So business is gonna find their own starting point ...They have to find what resonates. But practically, you realise that you only become aware of what you should be taken care of when it becomes quite apparent through risk (AOU)</i></p>	<p>3 - Sustainability Expert: Strategy</p>
<p><i>And how is the kind of corporate sustainability function translating into the actual risk management at the heart of a business? And then it's, I don't know how else to frame it, but it's are we acting in a way? Are we</i></p>	<p>3 - Sustainability Expert: Strategy</p>

<p><i>acting with integrity? So, you know, we're not always going to get things right, but are we are we making decisions in a considered and consistent way? (AGL)</i></p>	
<p><i>So inherent in the organisation is we need to do things which will enable sustainability to occur, whether it's around our supplier or whether it's around our customer, or whether it's around how we do things. And I think all too often, sustainability is limited to what it is we do? So, hey, can we use less water? Can we use less electricity? All that's all good stuff, but at the end of the day, it's more about how do our staff live and get to work? That is an aspect of sustainability that maybe we should think about. Where did we get our products from? And what sort of focus do we have on that, whether it's child labour or environmentally unfriendly ways of getting it? (PJF)</i></p>	<p>5 – Governance Expert: Consultant & Scholar</p>

5.6.1.3 Theme Conclusion

There was broad consensus and alignment on the themes identified in this category, particularly that sustainability practices and performance are regarded within the context of risk management. Another association built in Chapter 2 was that effective risk management is among the responsibilities encompassed in corporate governance.

5.6.2 Sustainability Strategy Alignment

5.6.2.1 Key Findings

As part of these findings, the participants were united among all the subgroups, agreeing that sustainability and strategy cannot be separate items, as this causes disjuncture. There was support for the perspective that organisations exist to be sustainable, to endure perpetually; as such, this is a key, if not the main aspect of all business strategies, and the same then would apply to banks.

The participants made inferences about the difficulty of mobilising the mindset shift required so that sustainability is not regarded as separate; instead of, it rightly encompassing the whole bank. This was particularly strong among the Sustainability Professionals and Sustainability Experts. Some of the experts cited the current challenge of resources specific to this space, stating that the department is short on manpower, which is resulting in team burnout. Another perspective is that sustainability is still viewed as a department, as a thing to do, not what drives organisational culture – as though it was the next big fad. A consensus among the

Sustainability Banking Professionals and Sustainability Experts was this view of decentralising ownership of sustainability so that it permeates the entire bank.

A participant shared this, indicating that every aspect of the bank is responsible for sustainability.

You know, the AI solutions that are actually saving CO2 emissions and the use of AI in doing ESG screening, so every single area of the company has a role to play, and it's figuring out what that role is.

Another participant mentioned the impact of sustainability and the related skills their bank is currently building

But just for example, our CIB team now consists of five social, environmental managers that's got environmental practitioner qualifications, that have been trained on social environmental risk, that are active in the equity principle space, and yeah, then also the training that is taking place for your corporate bankers, and yeah, all client-facing staff that has actually helped to create awareness of why we are asking these questions and why it's important for a bank to do this.

Another participant spoke about the general lack of resources across the various industries and the strain it puts on the sustainability departments when the strategy is left to a department and not integrated across the business and owned by the various business units.

And suppose you speak to sustainability people now. In that case, one of the biggest concerns is burnout that we cannot keep up with not just the developments in the space but how much we actually have to do in the organisations because everybody's now taking it seriously and, you've got to implement, and, I mean, the lovely thing is, it's all great and, well, that one of the good things as well is a lot of these methodologies and things that, you know, we didn't have before are developing now, because there's more, more people being, more people involved, there's more thinking, there's, you know, it's just improving.

5.6.2.2 In-case and Cross-case Analysis

The divergence and convergence between the respondents are highlighted in Table 23 below. This is indicative of the participants' views. It is notable the strong alignment between the Sustainability Professionals and Experts on the role of purpose and strategy integration. Similarly, this perspective that sustainability is purpose-related and should be resourced and treated accordingly is a view strongly held by the Activists, Governance Experts, and Bankers.

Table 23: Theme Evidence: Sustainability Strategy Alignment

Theme: Sustainability Strategy Alignment	Subgroup
<i>I would say that the banking sector is way ahead of has been way ahead of most other sectors now. Everyone's playing catch up, I think, especially in South Africa, and a lot of that was driven out of the Bankers Association, where sustainability colleagues in the industry collaborated (TSDI)</i>	1 – Banking Sustainability Professional: Strategy
<i>So, you can't divorce it from our purpose, our strategy or, our value drivers or the outcomes that we want to achieve. And in I think then, then it's almost a natural progression to say that, you know, corporate governance is very much an integral part of that as well (WKSJ)</i>	1 – Banking Sustainability Professional: Strategy
<i>Absolutely, I think it's 100% so purpose is the thing that drives us across the company. Purpose has been integrated into everything that we do, our policies, our frameworks, the work that we do between the group and clusters, yeah, very much part of our DNA. (VBN)</i>	1 – Banking Sustainability Professional: Strategy
<i>... is that it doesn't matter what we do if the impact is not felt by the communities that we serve across the continent, it actually defeats the purpose, right? So having a full 360 view of what is the impact, not just from an internal point of view, but on the communities that we serve. It could be energy, it could be job creation. It could be, you know, growth in the economy for specific sectors. Those would be the tangible outcomes that you want to come out of it, of a strategy; it's really, yeah, it's not pie in the sky. It's on the ground, it's embedded in us in our values. (LSB)</i>	2 – Banker
<i>Because, um, for a long time, I think the understanding was that we must build our financial resilience or sustainability. But recent events have shown that sometimes when companies die, it's it could be from a social perspective. (AOU)</i>	3 - Sustainability Expert: Industry Body
<i>We are not the gatekeepers of sustainability. Because one of the core things about our strategy, and what I want to achieve, is to integrate it across the business, that is it, not to gatekeep. So, it doesn't start and stop with us as a team because we're never going to get this right if everything has to come through us because everybody has a role to play. You have something to contribute. (LNJ)</i>	3 - Sustainability Expert: Industry Body
<i>Because ultimately, if something's going to be credible, it's got to be the way things are. If you are saying our strategy is x, y, z, but in reality,</i>	3 - Sustainability Expert: Strategy

<p><i>you're doing a, b, c, because actually, sustainability is so far removed from how, at the core, the business is thinking about how it does things, then it's never going to bear any credibility, and it's, you're not going to get the trust of employees. (AGL)</i></p>	
<p><i>I don't think sustainability should be seen as something separate, like it's not the role of sustainability or the sustainability team. I mean, like in its definition, I mean sustainability is just about the long-term longevity and sustainability of the organisation and about creating value in the long term. So, it shouldn't be separated out from strategy. It should be part of any strategic process or risk process. (CDT)</i></p>	<p>3 - Sustainability Expert: Strategy</p>
<p><i>It cannot be a silo of a few people, kind of what would typically have fallen in that little bracket with kind of very passionate, very passionate wanting to change the world, types who kind of seen as like a fringe movement within the bank and not being taken seriously by leadership. (KBJ)</i></p>	<p>4 – Activist: Civil Society</p>
<p><i>At the end of the day, it's the directors who drive the strategy, who come up with a strategy, the strategy should incorporate sustainability, etc. And then surely, the role of governance is to ensure that that strategy is first of all appropriate, and given that it's appropriate, that it is then being applied correctly or appropriately, or pragmatically, in a sense, and I do think the banks are in a particularly invidious position because the sustainability of X Bank everything to do with the sustainability of their customer base and their supplier base, in a sense. (PJF)</i></p>	<p>5 – Governance Expert: Consultant & Scholar</p>

5.6.2.3 Theme Conclusion

When asked whose role it was to align strategy and its integration, the participants from the Banking Sustainability Professionals, Sustainability Experts, Activists and Governance Experts were all unanimous in declaring this the role of the board and top management team. This as part of their role in setting the direction, time horizons, and targets for the strategy. Though the responsibility of implementing the strategy is delegated to business unit leadership, accountability for its [strategy] rests with the board and the senior management team. That said, it can be argued that sustainability is the strategy according to the participants; it is the reason banks exist, and as such, the concepts of strategy, sustainability and purpose cannot be treated as separate. And governance, in this case, plays the role of the steward, ensuring that goals are accomplished, and promises are kept.







5.6.2.4 Theoretical Category Conclusion

This category is supportive of the effort to answer, "sub RQ2: What type of structures are in place to support the governance of sustainability in South African banks"? It was evident that the banks have mobilised efforts to address the challenges that sustainability poses to their industry. The participants cited a lot of industry collaboration and peer learning, indicating that this is a challenge they are all grappling with and working collectively to solve. A participant mentioned that in this race to be sustainable, to be recognised as being sustainable, there is a lot of industry competition to be the first mover which acts as a mechanism that forces other banks to adopt the "new or improved" sustainability practice.

Additionally, the discussions revealed the informal and formal structures in place to enable or create awareness on sustainability related issues. Intriguingly this concept of decentralised ownership of sustainability was mentioned multiple times. The belief is that if sustainability is left to a department, firstly little would get done to progress it due to resource limitation, but also, it wouldn't be entrenched in the organisation, so decentralising its ownership by providing business unit targets and recourse specific to sustainability creates shared accountability and learning across the banks. This enables the sustainability teams to drive cohesive coordination of the various efforts from the banks. The various structures in the banks to support sustainability indicate their own individual maturity in this regard, with some participants from the Sustainability Experts citing Nedbank as the most progressive. This was contentious when discussed with the Banking Sustainability Professionals.

Table 24: Research Summary Findings – Construct 4: Corporate Sustainability Strategy Integration in South Africa’s banks

Theoretical Category	Themes	Alignment Banking Professionals & Experts	Alignment across Professional Group	Theme Prominence Across Professionals and Experts				
				Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Sustainability Stages in Banks	External pressure driving sustainability practices	●	●	●	●	●	●	●
	Sustainability resources and capabilities	●	●	●	◐	◐	●	◐
	Isomorphism	○	●	○	○	◐	◐	○
Sustainability Strategy Alignment	Purpose aligned with sustainability strategy	●	●	●	●	●	●	●
	Sustainability resources and capabilities	●	●	●	◐	◐	●	◐
	Diversity in mindset	●	●	●	◐	●	●	●
Sustainability Performance	Effective risk management	●	●	●	●	●	●	●
	Management practices	◐	●	●	●	●	●	◐
	Frameworks, standards and guidelines	●	●	●	●	●	●	●

<p>Key: Professional and Expert Alignment</p> <p> Limited alignment / significant divergence</p> <p> Partial alignment / slight differences</p> <p> Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p> Limited alignment / significant divergence</p> <p> Partial alignment / slight differences</p> <p> Highly aligned / limited to no differences</p>
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Source: Author's own construct

5.7 CONSTRUCT 5: RESEARCH FINDINGS CORPORATE SUSTAINABILITY PRACTICES IN SOUTH AFRICA'S BANKS

The above findings built the connection between the two concepts, which we can speculate, have a relationship. The findings thus far have highlighted that sustainability and purpose are intricately related and that sustainability requires a governance structure to enable its objectives. It requires buy-in, training, and capital in the form of people and other resources; it requires leadership; it requires visibility and accountability at the highest office of the banks. Sustainability encounters resistance, and at times, this requires mandated governance; a participant pointed out that they have initiated mandatory ESG training across their bank for banking products, irrespective of one's role in the business. With all these connections inferred, the question becomes, does the structure and direction provided by corporate governance engender positive sustainability performance in banks?

RQ 3: Is there a positive association between the level of corporate governance and the level of sustainability performance within the banking sector?

The results of this question were mixed, as expected, due to the lack of empirical evidence to support this claim. There is a view that strong governance means strong sustainability; however, it is difficult to attribute this to positive sustainability performance. Also, it was difficult to ascertain which governance mechanism(s) enable better sustainability performance.

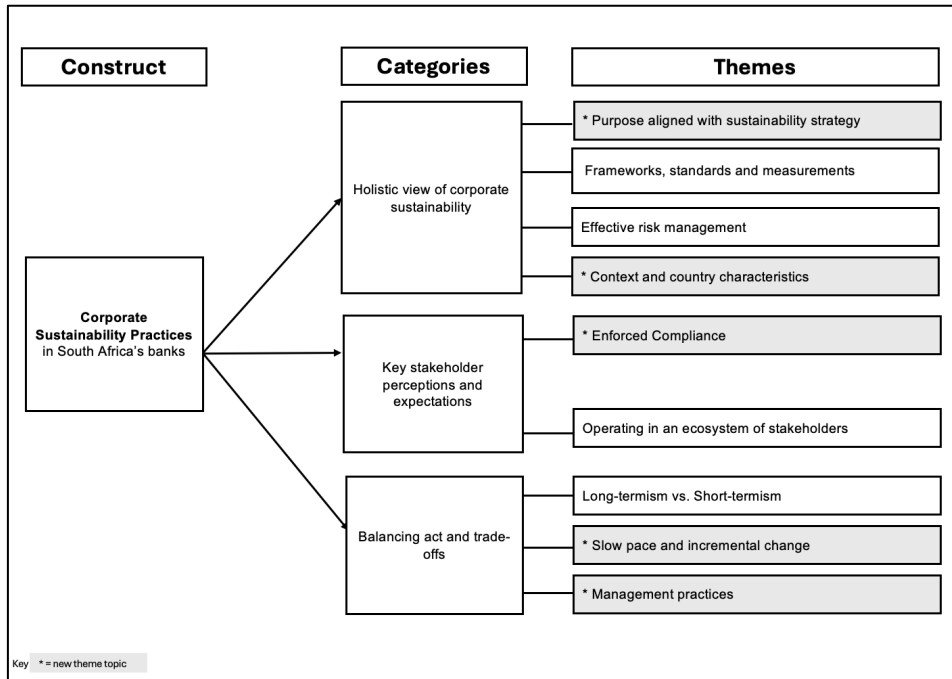


Figure 8: Findings Corporate Sustainability Practices in SA Banks

Source: Author's own construct

5.7.1 Key Findings

Though most of the respondents said that empirical evidence would be needed to substantiate this assertion, the respondents were mixed regarding the extent to which governance drives positive sustainability outcomes. Some of the discourse is due to the lack of alignment on how exactly one should go about measuring sustainability performance. Generally, all the respondents could make a connection between the concepts; however, as it pertains to the influence of corporate governance on the level of sustainability performance, there was no evidence to substantiate this assertion. There were only opinions.

A Banking Sustainability Professional had this to say:

I mean, I don't, I don't have any proof of that, but I would say yes, because if you have strong corporate governance, you interrogate and understand the issues.

A Governance Expert had the following to say about the relationship between the concepts:

You'd have to prove that empirically but superficially compelling.

5.7.2 In-case and Cross-case Analysis

Table 25: Sustainability Practices in South African Banks

Theme: Sustainability Practices in South African Banks	Subgroup
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<p><i>Absolutely, absolutely, because it gives you direction even in the development of products and services, to better understand what your client's needs are, and to action those needs, or to create products and services to answer those needs. I think also, from an internal point of view, your staff is brought on board, and you've got staff commitment.</i></p> <p>(VBN)</p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>As I said in the beginning, you know that corporate governance is about being a good corporate citizen; I guess that's how you can look at it. Yeah, you know, we don't operate alone. We're not exactly we need to make sure that we contribute towards the society that we are in, and likewise, they contribute to our success. And purely from that point of view, it creates sustainability of the society, society as well as the organisation. So, does it drive our profits? I guess to a large extent it does because if you look at the five value drivers, you know, those are the key five value drivers that drive our profits. So, if you drop one, the others may potentially still allow us to make a profit for the organisation. But then the sustainability part that, the part that we play in there in society, will be missing, which doesn't guarantee that we will be around in the future. it.</i></p> <p>(WKSB)</p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>... but other board members would push back. like, you're taking this too far. So, no. And some with our executives. The CEO 100% backed me, but there were some executives who thought this was a complete waste of time and would be as obstructive as possible because they didn't believe in it.</i></p> <p>(TDFI)</p>	<p>1 – Banking Sustainability Professional: Strategy</p>
<p><i>You know, not necessarily suggesting that one cause the other, but you know, if you look at the outcomes, you cannot have a great sustainability framework if you have not bedded down your corporate governance.</i></p> <p>(LSB)</p>	<p>2 – Banker</p>
<p><i>You see, I have; it might be problematic to look at these things separately. It might be problematic to look at these two things as separate because good corporate government, governance is almost an element of sustainability. Yeah, sustainability is the bigger thing. These are not necessarily separate things.</i></p> <p>(AOU)</p>	<p>3 - Sustainability Expert: Industry Body</p>
<p><i>Yeah. I mean, you might have strong corporate governance but not be considering sustainability at all, I suppose. I mean, yeah, yeah. I mean,</i></p>	<p>3 - Sustainability Expert: Strategy</p>

<p><i>I still think a lot of governance is around financial performance and risk and shareholders. (CDT)</i></p>	
<p><i>Do yeah, once again, it's difficult. It's actually difficult to say. And yeah, if it, you know if, how it translates. But I think I think if you see a company that has a well-articulated strategy around sustainability and risk management frameworks. In theory, they should get it done better because they just have a better handle on managing all these different things. (TBS)</i></p>	<p>4 – Activist: Investor</p>
<p><i>So, as I say, I don't think governance per se will cause sustainability. I think you know that the strategy of the organisation needs, needs to embody or use if I can use another example, integrated reporting. Integrated Reporting isn't the report at the end of the year. Integrated Reporting is integrated thinking throughout the year, and as a result of that, the integrated report is produced to highlight what's happened. So, similarly, sustainability, this is something that should be imposed by corporate governance as such, not corporate governances' role to have sustainability. (PJF)</i></p>	<p>5 – Governance Expert: Consultant & Scholar</p>

5.7.3 Theoretical Conclusion

The most intriguing finding in this category is this initial mixed view on the influence of corporate governance on corporate sustainability performance. The Sustainability Professional from one of the banks stated that this bank has structured its organisation to encompass sustainability strategy and risk governance in one team as a means to elevate the practice and integrate it with governance systems to track performance. This respondent mentioned that this new operating model is in its infancy and that they, too, are yet to see if governance makes for better sustainability performance.

The respondents generally concede that progress has been made, albeit slow. The Banking Sustainability Professionals assert that progress has been incremental based on the evolving landscape that is sustainability and the influence of the geopolitics of sustainability. The Bankers had the most positive association with this concept, stating the innovation that developed in the banks due to the need to drive sustainable practices, such as the growth of sustainable finance products and the introduction of ESG risk screening in lending practices. The Activists agree there has been slow progress on sustainability-related issues in banks. However, they cited their frustration with the pace of change and shared the perception that banks are simply not doing enough to make a meaningful change.

The Consulting Sustainability Experts were also divided. One emphasized that the association is difficult to make given the lack of evidence to substantiate the view. Another stated that you can be well governed but not focus on sustainability, while another suggested that these topics cannot be considered separately, and that governance is a subset of sustainability—which is the bigger picture.

5.7.4 Theoretical Category Conclusion

In order to answer the question associated with this section, namely, "sub RQ2: What type of structures are in place to support the governance of sustainability in South African banks?" it was again important to align on as common an understanding of corporate sustainability performance as possible. This was in order to ensure that when it was discussed in relation to the sub-questions for the research, the results were comparable. As discussed in section 5.5, there is a universal understanding of corporate sustainability performance among the subgroups, barring a few language nuances from the participants. In the main, the consensus was reached that sustainability performance has been associated with leadership, diversity in mindset and the view that sustainability needs to be approached holistically. This concept of mindset and diversity was prevalent across all the subgroups; similarly, it was the view that the reporting standards, frameworks and guides need consolidation. Concerns were raised regarding the implication of this introduction of S1 and S2 on South Africa's reporting rigour, which is regarded to be of a high international standard. Among the participants concerns was that the country's reporting standards and rigour would be diminished to a level of basic compliance and nothing beyond.

Table 26: Research Findings Summary – Construct 5: Sustainability Practices

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional groups	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Characteristics Associated With Corporate Sustainability Performance	Holistic Approach	●	●	●	●	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	◐	●	●	●
	Sustainability Capabilities & Resources	●	●	●	◐	●	●	◐
The Role Of Corporate Sustainability Performance	Management Practices	●	●	●	●	●	●	●
	Reputation and Greenwashing	◐	◐	●	○	●	●	○
Voluntary Vs. Regulated Mechanisms	Sustainability Resistance	●	●	●	◐	●	●	◐
	Diversity of Mindsets	●	●	●	●	●	●	◐
	Long-termism vs. Short-termism	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

5.8 SUMMARY OF RESEARCH FINDINGS

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Good corporate Governance	Management Practices	●	●	●	●	●	●	●
	Oversight and Monitoring	●	●	●	●	●	●	●
	Integrated Thinking	●	●	●	●	●	●	●

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Internal Governance Mechanisms In The Bank	Management Practices	●	●	●	●	●	●	●
	Multi-level Governance	●	●	●	●	●	●	●
	Reporting & Disclosure Compliance	●	●	●	●	●	●	●
	Diversity of Mindsets	●	●	●	●	●	●	●

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional groups	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
The Role Of Corporate Sustainability Performance	Management Practices	●	●	●	●	●	●	●
	Reputation and Greenwashing	●	●	●	○	●	●	○
Voluntary Vs. Regulated Mechanisms	Sustainability Resistance	●	●	●	●	●	●	●
	Diversity of Mindsets	●	●	●	●	●	●	●
	Long-termism vs. Short-termism	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Holistic View Of Corporate Sustainability	Purpose aligned with sustainability strategy	●	●	●	●	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	●	●	●	●
	Effective Risk Management	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Sustainability Stages In Banks	External pressure driving sustainability practices	●	●	●	●	●	●	●
	Sustainability resources and capabilities	●	●	●	●	●	●	●
	Isomorphism	○	●	○	○	●	●	○

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Holistic View Of Corporate Sustainability	Purpose aligned with sustainability strategy	●	●	●	●	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	●	●	●	●
	Effective Risk Management	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

Key: Professional and Expert Alignment		Key: Mention Prominence	
○	Limited alignment / significant divergence	○	Limited alignment / significant divergence
◐	Partial alignment / slight differences	◐	Partial alignment / slight differences
●	Highly aligned / limited to no differences	●	Highly aligned / limited to no differences

Source: Author's own construct

CHAPTER 6: DISCUSSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This qualitative exploration aimed at identifying the role that corporate governance plays in enabling sustainability performance in South Africa's banks. This chapter includes a discussion on the major findings identified in Chapter 5 and related to the literature discussed in Chapter 2.

To facilitate the discussions in this chapter, a comparative analysis of the outcomes of the data discussed in Chapter 5 was conducted and, this was contrasted and compared to the constructs identified in the literature reviewed in Chapter 2. The purpose of which, is to answer the main research question of "Does corporate governance influence corporate sustainability performance in South Africa's banking sector?" In exploring this question, the following sub-questions were posed to the research participants, with the additional questions available of the interview protocol in Appendix 2.

RQ1: How does corporate governance integrate with sustainability performance in South Africa's banks?

RQ2: What type of structures are in place to support the governance of sustainability in South Africa's banks?

RQ3: Is there a positive association between the level of governance and the level of sustainability performance in South Africa's banks?

The following methodology was undertaken to arrive at the themes selected for further discussion, in order to enhance the validity and reliability as mentioned in Chapter 4, though not comprehensive the methodology was in line with following a systematic approach:

Step 1: The interviews produced several codes, which were analysed and categorised, as discussed in Chapter 5, section 5.1.

Step 2: This process was followed by a targeted word search between the literature review and the data collected from the participants, to ascertain the level of alignment and discrepancies between the literature and findings.

Step 3: A thematic analysis of the theoretical categories followed, to assess the level of thematic alignment and divergence among participant groups, in order to identify the common themes across the subgroup. Additionally, the data was then analysed to establish the significance of the themes identified, such that these can be prioritised.

Step 4: A comparison to the literature in Chapter 2 and the research question, to ascertain the level of alignment and divergence. Failure to identify literature associated with theme required the addition of step 5.

Step 5: Identifying and comparing the key findings the scholars identified in under each construct.

The output of this systematic process was the selection of seven themes from Chapter 5, to be considered for further discussion. This was based on their level of prominence among the participants and the level of alignment achieved across the groups, as highlighted in Table 15. The findings that emanated provided a better level of understanding of the constructs in Chapter 2, and through the comparison and contrasting of the data, will provide insights as to the relationship between the constructs.

The themes identified are as follows:

- From Construct 1 - Understanding Corporate Governance in South Africa's Banks: management practices and integrated thinking.
- From Construct 2 - Governance Practices in South Africa's Banks: diversity of mindset.
- From Construct 3 - Understanding Corporate Sustainability Performance in South Africa's banks: reputation risk and greenwashing and context and country characteristics.
- From Construct 4 - Corporate Sustainability Strategy Integration in South Africa's banks: resources and capabilities.
- From Construct 5 - Corporate Sustainability Practices in South Africa's banks in South Africa's banks: corporate purpose alignment.

A systematic approach has been selected and as such, the organisation of these themes will be structured similarly to that of Chapter 5, mapping the theoretical categories against the literature from Chapter 2. As such this Chapter will be structured as follows, the findings under the understanding corporate governance construct will be presented and contrasted against the literature in Chapter 2, followed by the findings under corporate governance practices and a similar process as discussed for the first contrast will follow. This process will be applicable for all the themes as cited above. Where unexpected findings emerged, a systematic process was followed which included a review of the original literature presented in Chapter 2, to investigate the similarities, mentions and associations with the finding. This was an iterative process, at times additional exploration was required to integrate these findings into the Chapter.

6.2 DISCUSSION OF FINDINGS IN CHARACTERISTICS ASSOCIATED WITH “GOOD” CORPORATE GOVERNANCE

As mentioned in the literature review, the role of corporate governance has continued to grow in prevalence among scholars and the business community, as scrutiny on business conduct mounts. This due to a myriad of reasons or societal triggers. In this, the final decade of the SDG 2030 Agenda for Sustainable Development, accountability for organisational impact on people, planet, prosperity is being demanded and, the role of business in driving equitable sustainable development is being examined. Governance and sustainability are two concepts connected by various factors such as strategy, direction, senior management, business complexity, reporting and risk, however, both remain broadly undefined and thus subject to interpretation and implementation.

This chapter seeks to impart insights gleaned from the semi-structured interviews conducted as part of the data collection process. This category produced two themes that were detailed discussed in Chapter 5. As discussed, the process of selecting the themes for discussion in this Chapter the theme prominence was considered as well as the level of alignment among participants was taken into consideration as illustrated in Table 27.

The themes emanating from this construct are “Management Practices” and “Integrated Thinking” both of which will be discussed in the section to follow. In selecting the aforementioned themes, a systematic approach is reflected in section 6.1. was followed.

Table 27: Themes Discussed: Category 1 – Understanding Corporate Governance

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Good corporate Governance	Management Practices							
	Oversight and Monitoring							
	Intergrated Thinking							

Key: Professional and Expert Alignment	
	Limited alignment / significant divergence
	Partial alignment / slight differences
	Highly aligned / limited to no differences

Key: Mention Prominence	
	Limited alignment / significant divergence
	Partial alignment / slight differences
	Highly aligned / limited to no differences

Source: Author’s own construct

6.2.1 Management Practices

Banks like many organisations have a broader societal to play, and as such manage multiple stakeholders with sometimes different and conflicting priorities. This serves to imply that ultimately organisations, such as banks exist to create value, either economic or societal value, though preferably organisations need to produce value that is both beneficial to all its stakeholders as well as enduring or sustainable for the long-term. Existing literature by Kyere and Ausloos (2020), Sukhdeo and Arnolds (2019), and Naciti et al. (2021) support this perspective and this aligns with the research discussed in Chapter 2.

As mentioned in the literature and in alignment with the participants, corporate governance is associated with value creation by virtue of its role as the custodian of organisational strategy, goals and target setting and for providing the structures and rules for how an organisation's resources are utilised and directed (King IV, 2016; Filatotchev et al., 2020). Additionally, through its role as oversight, it empowers management decision-making and holds management to account for the delivery of strategic outcomes (Dicuonzo et al., 2022).

In analysing the participant's responses to the definition of good corporate governance and its outcomes, there was certainly diversity in their responses. Significantly, the key finding from this construct, as indicated in Chapter 5 section 5.4, was the belief that management practices play a role in how corporate governance is adopted and practised in organisations. This is to say, how the banks are governed is based on the role of leadership in driving conduct associated with good corporate governance outcomes, as defined by King IV. By implication then, it is suggested that one cannot separate the leadership conduct in driving a governance culture in the banks to the outcomes as proposed by King IV.

In comparing the perspective provided by the participants to the literature in Chapter 2, authors argue that senior leadership and the board of directors are an internal governance mechanism (Crifo et al., 2018; Dicuonzo et al., 2022; Farah et al., 2021). These authors also postulate that the board of directors assumes the highest level of oversight and discharges their duties through the CEO and senior management teams, as such the role of senior management cannot go unstated. For the purposes of this research, senior leadership in this context refers to what some researchers define as the board of directors and top management team (TMT), as the senior decision-making group. The rationale was that the participants were not requested to separate the two leadership levels, and this was consolidated as one grouping in the interviews, in light of the bank CEOs being board members themselves and thus subject to the same level of expected ethical conduct. Additionally, the relationship between the two aspects of leadership is that TMT has the role of strategy implementation while the board plays an oversight role. This is consistent with the research findings presented in Chapter 5 section

5.3, and the arguments postulated by Paape et al. (2003) and Filatotchev et al. (2020), who assert the compliance role of governance and the management role of implementation. This lack of distinction can be considered and should be noted for future studies; however, prudence was applied in analysing the data and inferences were made to connect language to meaning during the coding process by referencing notes made during the interviews and referring to the recordings.

Similarities were noted regarding the role of senior management in both the literature and in comparison, with the participant's responses. It was found that leadership plays an instrumental role in creating an environment that enabled governance practices to be entrenched. This through how they lead an organisation and set the parameters and structures for conduct and in how define the "right way to do business" and take account for this in their respective banks. The participants regarded the role of ethical management practices as having a direct implication on how governance was regarded, responded to and adhered to, based on the role of senior leadership plays, as demonstrated in Chapter 5 section 5.3.

As mentioned, this is in alignment with the literature in Chapter 2 pertaining to leadership or management practices as an internal governance mechanism. Though not an overtly discussed aspect of governance, the literature in Chapter 2 acknowledges senior management conduct as important, it is among several internal governance mechanisms (Farah et al., 2021). This cluster of senior leadership or board leadership can be further categorised based on factors such board composition, which as a mechanism has resulting impact on the bank's governance culture. Furthermore, board or leadership characteristics to consider among factors that may influence governance culture are aspects such as diversity among the leadership team members, size of the board, the level of dependent versus independent directors, the level of education and skills in the leadership team and the separation of duties between CEO and board chairperson (Aguilera et al., 2021; Farah et al., 2021; Naciti et al., 2021). This highlights the complexity of clustering the leadership into one broad category, as discussed above.

Several pieces of literature endeavour to understand which board characteristic impacts organisational performance across all performance measurement metrics. This brings to the fore another challenge associated with the cluster applied to senior leadership, such as which of the categories cited above drive which sustainability performance metrics. This aligns with some of the findings from the literature in Chapter 2 and the findings from the participant's responses in Chapter 5 section 5.3, asserting that by its lack of concrete definition, which remains varied, governance is difficult to measure (Aras & Crowther, 2008; Lu, 2016; Meurer et al., 2019). As part of the findings in Chapter 5 section 5.3, however, the participants used

some common words to arrive at a definition for governance, though their definitions were taken as individual accounts and not inferred across the groups.

Another rich piece of insight that similarly emanated from both the literature (Dicuonzo et al., 2022) and the participants discussed in Chapter 5 section 5.3, that highlights the interconnected nature of the external and internal governance and how they interplay. This is to suggest that these mechanisms coexist and given the level of regulation that banks are subjected to, some of these internal mechanisms are implications of the “soft and hard” regulation in the sector in (Lloret, 2015; King IV, 2016). As such, one can speculate the influence of these two mechanisms on one another and how they translate internally inside banks.

In summary, the findings and literature align with governance providing a direction-setting role and providing oversight to the organisation and is grounded upon ethical conduct in the banks.

6.2.2 Integrated Thinking

This finding was unexcepted and provided a lot of insight regarding the phenomena under investigation. Though it was not explicitly referenced in the literature contained Chapter 2, given the context of this exploration it was considered significant. The significance of this as a concept is in light of the fact that firstly, it relates to the South African context of corporate governance, as one of the highlights of King IV code is the emphasis of integrated reporting and integrated thinking (King IV, 2016). This emphasis had global implications, as this update to the Code was used as part of the development for the “International Framework” released by the International Integrated Reporting Council (IIRC) (IDOSA, 2016; Vitolla et al., 2019).

Secondly is that integrated thinking is associated, though not explicit in the literature, with reporting and disclosure (Cici & D’Isanto, 2017). Consistent with the research findings in Chapter 5 section 5.3, the literature argues that reporting is part of the internal governance mechanisms used by the banks as part of their governance structures and systems (Aguilera et al., 2021). As a result, all the banks in this study have produced integrated reports consistent with the GRI reporting framework, which is associated with reporting on all organisational impacts pertaining to “societal, economic and environment” (*GRI - How to Use the GRI Standards*, n.d.). This relates to the objectives of the International Framework which was aimed at ensuring that organisations would now only produce one report to communicate or disclose their financial and nonfinancial data in the form of an integrated report. According to Vitolla et al. (2019), integrated thinking is an “innovation” which is defined by the IIRC as “the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads

to integrated decision-making and actions that consider the creation of value over the short, medium, and long term.” This is congruent with the findings from the participants beliefs in Chapter 5 section 5.3, who argued that integrated reporting was a result of integrated thinking, which encompasses all the activities in the organisation and happens year-round.

Connected with this view of integrated thinking, which the South African Institute of Chartered Accountants (SAICA, 2015) defines as a systematic approach by which an organisation strategically integrates sustainability activities into their operations while generating long-term sustainable value. This is to suggest that the organisation demonstrates an appreciation for its ecosystem such as the role the external environment and other dependencies have on its operation. As such aspects such as strategy, governance, and performance are interwoven, connected, related and interdependent resulting in integrated thinking through the way it operates (Baboukardos et al., 2021).

This finding is consistent with the perspectives of the participants presented in Chapter 5 section 5.3, who though made use of different words or language arrived at this notation that the interrelated nature of the environment of business requires an integrated thinking approach to sustainability strategy and sustainability performance through governance and thus, integrated reporting is a result of integrated thinking. However, Oliver et al. (2016) argue that the relationship is the other way around and that integrated thinking is a product of integrated reporting.

This approach is evident in the reporting frameworks adopted by the banks, all making use of GRI and IFRS as detailed in Chapter 2, Table 4. This suggests the view that integrated thinking is how an organisation understands its operations relative to its interconnected relationships, purporting that organisations create value through effective decision-making regarding how to best utilise its various types of capitals such as human capital, financial capital, manufactured, social and relationship, intellectual and natural capital (*Get to Grips With the Six Capitals | Integrated Reporting*, n.d.). The relationship between all these capitals and the business activities is depicted as an ecosystem in Figure 9.

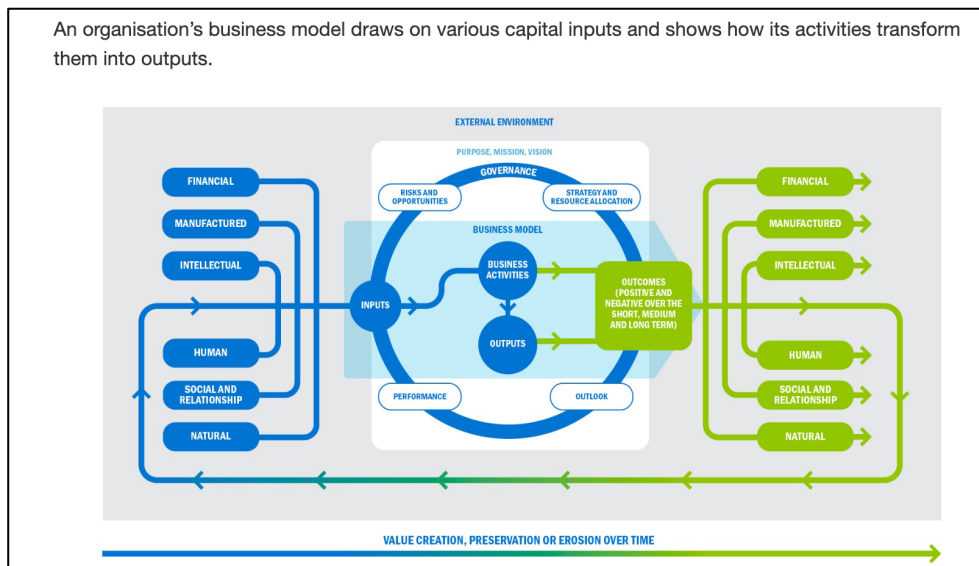


Figure 9: FRS Integrated Reporting Framework

Source: IFRS Foundation

6.2.3 Conclusive Findings from Construct 1: Characteristics of Good Governance

The research identified the role of management practices as a critical enabler of governance conduct. The findings indicate that their influence may give rise to a better corporate governance culture in an organisation, and an increase in adoption and adherence to corporate governance rules. Thus, indicating a possible relationship between the role of leadership and governance outcomes. This finding was understated in the literature in Chapter 2, though different factors associated with leadership structures and their influence on governance outcomes were discussed. Similarly, if this relationship holds for governance, then it can be assumed that the role of leadership can also be associated with sustainability performance outcomes. Stemming from the perspective that integrated thinking ought to be practised throughout the year by leadership structures in directing, monitoring and leading the banks.

Integrated thinking was an unexpected finding from the research. However, given the scope and objectives set out for this research in Chapter 1, all the variables of corporate governance and their associated influence on sustainability performance were under investigation. As such, given that integrated reporting is an integral corporate governance mechanism, it should suffice to have this finding as part of the results that emanated from the interviews. The respondents were generally aligned in their views regarding the role played by leadership within banks and the cultures they drive, an associated aspect of which will be discussed in section 6.2.

Several conclusions are proposed based on the findings presented in Chapter 5 section 5.3, from the interviews conducted and an analysis of the literature in Chapter 2.

- It is important to pre-emptively classify or isolate the leadership levels as part of the research questions to establish which leadership level is under investigation and related to corporate sustainability outcomes.
- Further studies into the aspects of board composition relative to its influence on corporate sustainability performance in South Africa's banks needs to be considered, particularly focused on requisite skills.
- A specific focus on CEOs and their TMT leadership style, and its impact on organisational governance culture and its influence on sustainability performance.
- Better distinction of the corporate governance mechanisms under investigation to focus on fewer mechanisms to investigate as opposed to the broad generalisation.

6.3 DISCUSSION OF FINDINGS IN CORPORATE GOVERNANCE PRACTICES IN SOUTH AFRICAN BANKS

The findings emanating from the exploration of the governance practices that are at play within the banking. These governance practices broadly fall into the categories of internal and external governance and voluntary and involuntary governance mechanisms as discussed Chapter 2. External governance is renowned for existing or emanating from outside the organisation and is regarded as a source of external pressure that may contribute to better governance outcomes. Internal governance mechanisms focus on structures put in place within an organisation, such as the board of directors and their subcommittees, policies and internal audit (Aguilera et al.,2021).

A significant finding related to these aforementioned categories of governance, and the management practice's theme discussed in section 6.1. is the concept of "diversity of mindset", which highlights the interrelated nature of the constructs under discussion. As an external mechanism, it explores how cultural conditioning shapes a leader's cognitive diversity. As an internal mechanism, this leader and his leadership team shape the organisational culture, as asserted by Schillemans and Bjurstrøm (2019) and Keasey et al. (1997), and similarly referred to in the findings presented in Chapter 5 section 5.3.

The concept of diversity was discussed in the literature presented in Chapter 2, however, this was from the perspective of board composition characteristics, such as gender, ethnicity and education (Aguilera et al., 2021; Dicuonzo et al., 2022). Scholars have argued the role of diversity in boards as critical for the adoption of sustainability practices, and this as related to the level of female representation (Dicuonzo et al., 2022).

Typically, diversity is associated with inclusion in the workplace and having a diverse workforce, closely associated with organisational behaviour (Waldman & Sparr, 2022). This suggests that diversity spans surface-level differences such as culture, physical abilities, gender, race, creed, and deep-level differences such as level of education, experience, beliefs and religious denomination (Waldman & Sparr, 2022). The role of workplace diversity falls outside of the scope of this research and the discussion will focus on diversity of mindset.

Diversity in mindset is a completely different point of view to the type of diversity discussed above. In this instance, it refers to multiple outlooks on issues, in this case, sustainability and sustainability performance. In selecting this theme for further discussion, a contrast against the literature in Chapter 2 was performed. Some of the scholars in Chapter 2 were found to have written extensively on diversity, from the physical and invisible features perspective, and not as described by the participant's view of “mindset diversity” as presented in Chapter 5 section 5.4. Although the author cited Aguilera et al. (2021) in Chapter 2, who has argued the point of view of diversity in mindset, there is limited research attributed to this author in this regard and only one piece was found on this subject as a subtopic of a broader research paper.

This section aims to discuss the findings regarding this unexpected theme emanating from the discussions with participants.

Table 28: Themes Discussed: Category 2 – Governance Practices

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Internal Governance Mechanisms In The Bank	Management Practices	●	●	●	●	●	●	●
	Multi-level Governance	◐	●	●	●	●	●	●
	Reporting & Disclosure Compliance	◐	●	●	◐	●	●	●
	Diversity of Mindsets	◐	◐	◐	●	●	●	●

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

6.3.1 Diversity in Mindset

Inherent to our context as South Africa is this concept of diversity, the country often celebrates its ethnic and language diversity as part of the country's proud heritage. The impact of culture, exposure and ethnicity for instance influences the mindsets of employees and specific to this research, the senior leadership as defined in section 6.1. It is conceivable then to suggest that the diversity of mindsets is an unexpected, yet delightful finding. Much like the finding on integrated thinking, yet interrelated, this finding did not form part of the initial literature presented in Chapter 2. As such, it was not considered a possible factor of corporate governance to investigate as part of this exploration.

Notwithstanding, this concept being associated with organisational behaviour, this finding was deemed significant among the participants as presented in Chapter 5 section 5.4 who used various phrases to describe the mindset shift required in the corporate governance systems of banks to engender sustainability performance, particularly referencing senior leadership decision-making and lack of meaningful action in the form of sustainability practices in banks. Which is similar and aligns with the discussion on management practices discussed in section 6.1 above.

The concept of mindset is best articulated by Waldman and Sparr (2022), who assert that organisations with individuals with diverse mindsets are likely to debate in the decision-making process, stating that this approach minimises groupthink. This view of groupthink was strongly associated with the current perceived mindset and senior leadership management styles in banks, as presented in Chapter 5 section 5.4. This concept was not included in the literature presented in Chapter 2; however, forms a critical component in understanding how decision-making and diversity of mindset or lack of groupthink affects the efficacy of senior management.

Groupthink is the opposite of mindset diversity and has been investigated in scholarly literature concerning decision-making, it is a concept best defined as a "mode of thinking" that arises when people's need for group unity takes precedence over their desire to critically consider alternative options Janis (1982, p. 9). Group think is considered among the "soft or informal" characteristics of senior leadership, along with values and knowledge. In their profound literature, Janis (1982, p. 9) asserts that within a senior leadership context, groupthink can occur when an individual's decision-making and cognitive processes capabilities "are influenced by peer pressure". The results of this are adverse to the governance of the banks. Decision-making was represented in the literature presented in Chapter 2, as covered by Elkington (1998) and Antolín-López et al. (2016), who assert that an organisation's environmental impact's need to be considered in the day to day operations, decision-making,

and overall management approach. This is similar to the observations made in Chapter 5 section 5.4.

The complex nature of the business environment has been discussed in both Chapter 2 and in the findings presented in Chapter 5, complexity is part and parcel of the banking industry (Dicuonzo et al., 2022; Laeven, 2013; Schaltegger et al., 2017). The rationale of leadership beliefs acting as a filter of how realities facing the organisation are perceived has been studied extensively but of particular interest to this research is the concept of groupthink and its influence in the form of “bullies in the boardroom” (Maharaj, 2008). Having interviewed board members, Maharaj (2008) discusses in detail the implications of groupthink on how information is perceived and this concept of “pressure towards uniformity”, which echoes the sentiments of Janis (1982, p. 9). More recently, Weiser et al. (2020) studied the concept of diversity of mindset, arguing that sensemaking in different actors is influenced by emotions and judgements as it pertains to strategy implementation, additionally how individuals make sense based on their proximity to the organisation. This is to say if their roles are at the “centre” or “periphery” of the organisation, which aligns with the need to distinguish the leadership roles clearly as recommended in section 6.1.3. These findings are similar to those postulated by Maharaj (2008) in their earlier work.

As stated, the view of diversity in the literature discussed in Chapter 2, overlooks this concept of mindset or “cognitive diversity”, which has its roots in the “upper-echelons framework” postulated by Hambrick and Mason’s (1984). The author’s findings relate to the role of cognitive diversity in strategy and integration and as such assert that differences in cognitive diversity are likely when senior managers have different understandings due to their diversity of “age or generation, educational level and functional area”. The senior leadership structures of all the banks have representation of different educational levels, gender, functional areas and even different sector experience, however, the findings presented in Chapter 5 section 5.4, discovered that despite the diverse characteristics, as defined by Narayan et al. (2020), present in the bank’s leadership structures, the senior leadership representing banks has failed to make the right mindset shift in order to engender the appropriate sustainability performance outcomes as expected by stakeholders. This contradiction leads to more exploration questions, such as what is the appropriate board tenure, what are the skills required for this evolving landscape, and what type of transformation is required in these senior leadership structures – and could this be an injection of youth, as shared by a research participant. Will this affect the perceived adopted status quo in the filters used by senior leadership for how they view their banks?

It is difficult to discuss this theme without considering this perspective from Waldman and Sparr (2022), who suggest a paradoxical concept of “unity in diversity mindsets”; however, unity is the idea of a common goal or vision, whilst diversity “allows” differences in perspective. This unity of a shared goal and vision is discussed in Chapter 2 and is similarly present in the research findings discussed in Chapter 5 section 5.5. The authors also contend that an organisation is held together by these “opposing” forces of diversity and unity (Waldman & Sparr, 2022). It has been argued that senior leadership teams who integrate diverse thinking or mindsets and information have been associated with improved performance, as found by Dicuonzo et al. (2022) and Aguilera et al. (2021), giving organisations a competitive edge and with forward-thinking (Narayan et al., 2020). A paradoxical mindset has also been explored by Edwards (2021), who asserts that this mindset means being able to contend with “value, accept and feel comfortable with tensions”. The author asserts that this mindset can become transformative, which is associated with questioning the current practices and is strongly related to innovation. This paradox mindset is regarded as transformative when it inspires individuals to rethink their perspectives on the organisation and reinforces “radical innovation” and supports “the emergence of new practices” (Edwards, 2021). There is similarity between these beliefs to those presented in the findings presented in Chapter 5, nuanced in language such as “interrogate and question”. Section 6.1 discusses the shared view of the participants and scholars on the role of governance as a compliance mechanism, with participants arguing that banks need to go “beyond compliance”, slightly contrarian to the literature by Paape et al. (2003) and Filatotchev et al. (2020). Kakabadse (n.d.) which poses a supporting perspective arguing that governance is responsible for oversight, but equally, it is responsible for the sometimes overlooked concept of stewardship. As postulated by the stewardship theory (Jensen & Meckling, 1976), senior leadership is meant to act in the best interest of the organisation, its leadership, prioritising the organisation’s well-being.

In discussing this concept of diversity in mindset or cognitive diversity, consideration needs to be borne to both the value of diversity in mindset and its challenges. As asserted by Ely and Thomas (2001), consideration to the circumstances that are necessary to amplify the benefits of cognitive diversity and mitigate its negative consequences needs to be at the heart of management practices.

6.3.2 Conclusive Findings from Construct 2: Corporate Governance Practices in South African Banks

The themes identified management practices and diversity, both of which have been discussed above are interrelated to this finding. As such, one can speculate that how a leader conducts themselves has to do with their cognitive diversity and how effectively the senior

leadership team embraces cognitive diversity is related to the extent to which an organisation performs. The findings identified that diversity in mindset is associated with the difference between incremental and transformative innovation and new approaches to complex challenges when considering sustainability practices in banks.

This finding led to more questions regarding the motivations of senior management and how they can direct an organisation in a bid to be compliant rather than being intentional regarding the changes that are required to drive transformative change. Or is transformative change context-specific and are banks so complex in nature that transformation can only take place in increments? There are certainly arguments for both perspectives. The findings substantiate this view that both perspectives can and do exist. As does the view that context frames how decision-making is approached, with almost all the participants reinforcing the complexity of the sector during the interviews in some way or form as part of the findings contained in Chapter 5.

As discussed, the banks' boards and senior leadership structures (c-suite and executive leadership) encompass the diversity characteristics as discussed in section 6.2. They all have a drive towards gender parity and as such have female representation, as well as multi-sector experience, and varying levels of education – albeit all of them having attended a higher education institution – a form of uniformity, and perhaps a provocative challenge to consider? They also all have “ESG and sustainability-related skills” a vague description of the skills sets related to sustainability strategies and practices.

Several conclusive findings emanate from the analysis and discussion of the literature presented in Chapter 2 and the findings presented and Chapter 5.

- Diversity is a critical component of effective decision-making and strategy implementation.
- Diversity spans beyond the physical and non-physical characteristics but needs to consider diversity of mindset, aligned to the diversity theory.

Inconclusively, however, is whether or not the extent to which diversity in the senior management teams across the banks is sufficient to enable sustainability practices to the level of the stakeholders' expectations.

6.4 DISCUSSION OF FINDINGS IN UNDERSTANDING CORPORATE SUSTAINABILITY PERFORMANCE IN SOUTH AFRICA'S BANKS

As discussed, sustainability performance is a concept synonymous with inconsistent measurement, as attested by Grewal & Serafeim, 2020, in Chapter 2. These authors, among others align that sustainability is widely embraced concept however, little exists as to how

organisations should go about implementing it, as such it is left to the organisations to decide how to go about it, and as such, select the measures relevant to it to track its performance. It has been found, as discussed in Chapter 2, that organisations generally progress on their sustainability journeys by looking inward to reduce impact in their operations, this is not uncommon, however, some of the bank's stakeholders view this as the banks not wanting to make a "meaningful change". Similarly, the responses from the participants as presented in Chapter 5 section 5.5, cite challenges with the multitude of frameworks, standard and guidelines, attesting that at times, they select what is most relevant to their circumstance. This has led to challenges regarding transparency between the banks and their stakeholder.

This is a concept that is true of the banks in this study. The findings in this section were selected due to their external nature and the implications that were asserted by the participant's. These findings fell both in the governance mechanisms as well as the sustainability performance categories. Their interrelated nature was asserted by the participants in Chapter 5, sharing that the internal practises undertaken by the banks trigger external governance mechanisms.

External governance mechanisms are as a result of market forces, which are inclusive of the country's regulatory environment, the power and influence of civil society, investor pressure, activist investors, reputation, and consumers. These mechanisms are discussed in Chapter 2 as postulated by, among others, Aras and Crowther (2008), Crifo et al. (2018), Connelly et al. (2010), and Manna et al. (2019).

Of significance in this section are the findings on the role of reputation and greenwashing risk, and the role of context and the country's characteristics as related to these aforementioned risks. Both these themes were present in the literature discussions in Chapter 2, although reputation did not appear to the extent that it was of importance to the participants, context however was featured more prominently in the literature, which corresponds with the findings. In the decision-making process for bringing these themes for further discussion, a comparison between the prominence of mentions across the various subgroups as well as the extent of alignment and divergence among the participants was considered. The themes were both prominent and represented partial alignment among the groups.

Though the finding was among the themes that were prominent in the literature and remains prominent as an aspect of governance to study, it was surprising the extent to which the respondents regarded the importance of this mechanism on sustainability performance. The research assumptions in this regard were based on preconceived perceptions regarding the insignificant role of reputation in South Africa. This is to say, the assumption ahead of this research was that South Africans are forgiving and that the country lacks the level of "cancel

culture” that is prevalent in the West. That said, this interrelation between country characteristics and reputation needs to be considered.

The concept of context and country characteristics was also discussed in the literature, this mechanism was postulated as a contrarian view on previous research regarding “good governance” by authors Bhagat and Bolton (2019), Naidu et al. (2024), and Black et al., (2017). These authors contested that one cannot consider governance or “good governance” without considering the country's context. The literature in Chapter 2, also states that both the concepts of sustainability and corporate governance are subject to interpretation as a consequence of country context Haniffa and Hudaib (2006), Jiang and Kim (2020) and Beshay (2024). Context is unavoidable, as South Africa operates in a global economy and is as such subject to the “rules and structures” of its partners, friends and foes. The role of King IV in defining global corporate governance did not go undiscussed by the respondents and the natural inclination is to juxtaposition this country’s governance culture to that of other countries, the respondents were aligned in their views of the compliant governance culture the country has.

Table 29: Themes Discussed: Category 3- Understanding Corporate Sustainability Performance

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional groups	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
The Role Of Corporate Sustainability Performance	Management Practices	●	●	●	●	●	●	●
	Reputation and Greenwashing	◐	◐	●	○	●	●	○
Voluntary Vs. Regulated Mechanisms	Sustainability Resistance	●	●	●	◐	●	●	◐
	Diversity of Mindsets	●	●	●	●	●	●	◐
	Long-termism vs. Short-termism	●	●	●	●	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

Key: Professional and Expert Alignment

- Limited alignment / significant divergence
- ◐ Partial alignment / slight differences
- Highly aligned / limited to no differences

Key: Mention Prominence

- Limited alignment / significant divergence
- Partial alignment / slight differences
- ◐ Highly aligned / limited to no differences

Source: Author’s own construct

6.4.1 Reputation and Greenwashing Risk

Strongly related to this theme are the sub-themes of communication, disclosure and reporting (Khan et al., 2020). Particularly for banks, the idea of reporting in an integrated manner is significant in that it provides a certain level of legitimacy (Nicolò et al., 2024).

The significance of this theme as mentioned, was that it was a dominant theme among the participants as presented in Chapter 5 section 5.4, and depicted in Table 18. The participants held varying perspectives on the role, the quality and the level of accurate and balanced disclosures contained in the reporting provided by the banks, which aligns to the literature presented in Chapter 2 from Landrum (2017) and Khan et al. (2020). The findings in Chapter 5 section 5.4 suggest that the participants regard the reporting by the banks as symbolic and used to enhance reputation. This view presented a divergent perspective between the participants, with the Professionals stating that reporting is necessary and that the enhanced reputation is an unintended consequence of the bank's compliance reporting requirements.

Not to limit the breadth and depth of reputation to an organisation to just reporting. As with most risks, reputation risk presents opportunities and can be associated with many benefits such as customer retention (Khan et al., 2020), cost of capital (Dicuonzo et al., 2022), enhanced reputation from positive media coverage and sustainability activities, as well as the bank's social license to operate (Shakil et al., 2019). This literature is consistent with the findings from the participants as presented in Chapter 5 section 5.4, who did report some of these benefits, particularly the cost of capital. From a risk perspective reputation risks include, senior leadership remuneration (Walls et al., 2011), and adverse media attention as a result of greenwashing allegations. These factors were discussed in the literature presented in Chapter 2, and are similarly articulated by the participants in Chapter 5 section 5.4.

Reputation is regarded as an intangible asset to any organisation, it exists in the minds of stakeholders and society as a set of beliefs about an "organisation's intentions, capacities, history, and mission" and is best described as "the combined result of interactions between an organisation's internal behaviour and the social interactions between stakeholders". Equally important is the view of the influence of context on an organisation's reputation, as postulated by Christensen and Lodge (2016) in Chapter 2, "reputation is embedded in a larger macro-cultural context within which organizations operate". Reputation management is the art of perception management as a means to engender trust and support. This is achieved through the use of reputation symbols, such as brand icons or messaging, in some instances CEOs are symbols of reputation (Chaudhary et al., 2021), connected to this concept of celebrity CEOs, is the concept of experience as a reputation-enhancing mechanism. At its core, the concept of greenwashing threatens the trust that the reputation works to engender in its

various stakeholders (Nygaard & Silkoset, 2022). Greenwashing is regarded as the unethical behaviour by organisations of “misleading the public about their environmental performance or benefits of a product or service” (Delmas & Burbano, 2011). Greenwashing and the risks associated with this act is gaining global visibility with this topic featuring highly at COP 26 discussions in Egypt in 2021, supporting this view that action against organisations that commit greenwashing will increase. Greenwashing was not covered in the literature in Chapter 2, highlighting this overlooked concept, indicating incongruency between the participants and the literature presented as part of this study.

In South Africa, there are legal ramifications to greenwashing, as the litigations for climate and greenwashing against banks increase (Batoudaki, n.d.). This despite South Africa not having any laws or guidelines in force concerning greenwashing, though the JSE Sustainability Disclosure Guidelines, aim to tackle greenwashing by providing disclosure guides for listed companies in order to produce comparable and transparent sustainability reporting. Currently, greenwashing is covered in security regulations and consumer protection legislation (*Greenwashing Disputes on the Rise*, n.d.). Sustainability reporting has received criticism across the globe, particularly for the reasons the JSE is aiming to solve for with its disclosure guidelines, but as cited by Khan et al. (2020) and in alignment with the respondents, sustainability reports are viewed as impartial disclosure, or lacking in balance, due to the information disclosed. This risk of being associated with greenwashing and the resulting reputational fallout was a real threat or risk perceived by the respondents representing the banks. This is due to the banks wanting to make certain claims so that they are not questioned without the appropriate response, resulting in claims of greenwashing (Delmas & Burbano, 2011).

The role of the country’s context was among the findings presented in Khan et al. (2020), who argue that the criteria that make for quality sustainability reporting remains undefined and defined differently across the globe. Their study focused on sustainability reporting in banks from emerging economies and proposed the following dimensions as those that make up a quality sustainability report “from external elements (assurance, comparability and stakeholder consultations) through to the management’s “internalisation” effort of sustainability initiatives (performance measures, performance targets, linking sustainability strategy with banks’ business strategy and integration of sustainability with business operations/functional level)”, which they aligned to the GRI’s “relevance” and “reliability” dimensions. Their country context was Bangladesh, which they assert has a robust legal and regulatory environment, particularly in banking, much like South Africa. Another similarity is that regulatory intervention from legislators and other stakeholders as a result of their lack of transparency, occurs every so often. Consequently, the authors found that quality sustainability reporting emerged as

symbolic initially and improved over their monitoring period (spanning 13 years). However, critically they postulate that “banks need to considerably improve key information in areas, such as external verification, ongoing stakeholders’ feedback and trends” which is consistent with the findings represented in Chapter 5. It is inferable that, the banks have a reputation for a lack of transparency, which may lead stakeholders to perceive to greenwashing is a self-fulfilling prophecy for the banks given their fear of this risk. This perspective aligns to the subtheme of targets discussed in section 6.3.2 and some arguments by Grewal and Serafeim (2020).

6.4.2 Country Context and Characteristics

The country context was referred to substantially in the literature in Chapter 2, due to the important role it plays in governance in general. Similarly, it has also been referred to, across all the findings presented in this Chapter 5, its influence over culture and cognitive norms has been discussed above, as has the role of context on the adoption, application and implementation of corporate governance practices has also been discussed.

Of keen interest is the postulations by Witt et al. (2021) in Chapter 2, who argued that governance is set at a national level, through legislation and regulations, and thus, it can be speculated that the level of organisational governance is related to the “national context of either over-or under-conformance to global governance”. This argument is supported by the authors Haniffa and Hudaib (2006), Jiang and Kim (2020), and Beshay (2024), who provide an identical perspective that country context cannot be separated from how governance interplays with organisations.

Country characteristics and context are associated with the role of institutions which have to do with the institution theory. This is significant in that this theory helps to “explain why so many organisations develop similar characteristics” (Struckell et al., 2022). Struckell et al. (2022) define this theory by summarising various perspectives offered by other scholars to provide this definition: it has to do with “cognitive and regulatory structures” also ‘rules, structures and routines as authoritative guidelines” and “social structures that reduce uncertainty by providing laws and codes of conduct” that provide stability and meaning to social behaviour (Mayer & Rowan, 1977; Scott, 1995; Scott 2005). It was critical to bring this theory in, despite it not featuring prominently in the literature in Chapter 2, given this discussion of context. Banks are subject to the influence of the institutions that govern them. Importantly to note, this theory is concerned with legitimacy, or credibility given that the previous section discussed reputation. This legitimacy is broadly created by how the banks behave or conduct themselves – the reputation they have with their stakeholders.

Furthermore, this perspective of context was aligned with the views of all of the participants as supported by their responses in Chapter 5. They believed that context mattered either relative to the complexity of the country's banking context and the supporting legal frameworks that govern this sector, or in the context of South Africa and its global role in the sustainability race. Particularly, participants discussed the strategic choices that local organisations have made in how sustainability is implemented in response to the social or societal issues that plague the country. Connected to this, is that context affects or has implications on the pace at which sustainability is implemented and prioritised based on market maturity, business life cycle stage and the maturity of the concept of sustainability in the country. A comparison was made between the advanced environmental sustainability in European countries, whilst South Africa, due to its social context has focused on delivering diversity through B-BBEE for years. This is a perspective of contextual demands, as cited by one of the participants and supports the views as shared by Ward et al. (2019) as discussed in Chapter 2.

Aguilera et al. (2021) argue the importance of governance contextual factors, citing a myriad of them and their involvement in how governance is enacted, some of these factors cited are organisational-level and individual-level, pointing again to the relationship between leadership and corporate governance practices. The South African banking sector is subject to robust legislation, with as many as eleven pieces of legislation applicable to banks, this only from the regulators of the sector. The sector is also subject to listing requirements enforced by the exchange, the JSE. The participants attributed this complex regulatory landscape among the reasons for the perceived positive governance culture in the sector. This is not to say that this discounts the challenges they discussed regarding selective governance practices applied by the banks.

A very interesting finding is this point of view of "normative or moral isomorphic pressure", which is associated with the institutional theory and has to do with how organisations develop similarities. This was a partial alignment in the Sustainability Banking Professionals subgroup, with participants asserting that the industry (this compliant industry) is competitive about which bank adopts which governance or sustainability practice, which results in the other banks conforming with this adopted approach.

One of the objectives of the study was to consider corporate governance from an emerging economy perspective so the aspect of country context was a critical finding. These findings complement the literature in Chapter 2, particularly some of those in Aguilera et al. (2021).

6.4.3 Conclusive Findings from Construct 3: Understanding Corporate Sustainability Performance

Both reputation and country context have incredible influence on the behaviours expected of the banks. As asserted by the majority of the participants, the country has a progressive governance culture “in the spirit” of what governance aims to uphold. That said, the extent of the influence of these mechanisms is hard to qualify. The financial services industry is affected by nine pieces of legislation, and legislation four pieces applicable to the banks, however, the industry is also subject to other sector specific regulations. It is speculated that the financial services industry is the most regulated in South Africa, as such the role of external governance mechanisms strongly influence the internal ones, and the behavioural conduct expected of the banks.

When asked about the rule of law and if we need “more laws” to balance the disclosures from banks and the other challenges cited by some of the participants, it was agreed by the participants, as evidenced in Chapter 5, that the country, despite its sophisticated legislative landscape lacks the ability to enforce laws. Additionally, they discussed the unintended consequences that may arise from mandating reporting for instance.

As we consider reputation and the risk of greenwashing, poor conduct in this regard also has legal ramifications. So, it is difficult to establish which of the mechanisms is the driver of good governance behaviours. Furthermore, if the bid to enhance reputation is the reason behind some of the bank’s sustainability activities.

- Based on the evidence presented, reputation is regarded as a key driver of corporate governance compliance among the banks.
- The study should have considered contextual factors (country, industry and organisational levels) as a construct or lens under which to investigate the influence of corporate governance and sustainability performance, particularly given South Africa is an emerging economy. Thus, the relationship between this factor and corporate governance remains unclear.
- The research topic was too broad, so it is difficult to identify which governance factors influence corporate sustainability outcomes.
- Possibly a consideration on whether there is a relationship between reporting quality, the perceived level of quality disclosures and transparency is not fully established.
- The influence of contextual factors on bank’s isomorphism on REM related performance.

6.5 DISCUSSION OF FINDINGS IN CONSTRUCT 4 :CORPORATE SUSTAINABILITY STRATEGY INTEGRATION IN SOUTH AFRICA'S BANKS

This finding into a critical component for the success of corporate sustainability governance the role of appropriately resourced sustainability teams with the requisite capabilities associated with this concept. This finding was resounding in the participants, whether they were relating it to senior management capabilities required to lead banks embarking on this journey or sharing their views on the capabilities required of sustainability capabilities required across banks to enable the realisation of their sustainability goals.

The process followed to bring this theme for further discussion was similar to the approach followed with the previous themes. A targeted word search was conducted of the data collected, followed by a review of the literature in Chapter 2, and on that basis, this topic was selected based on its prevalence among the participants as well as the literature in Chapter 2. This finding featured in the sustainability strategy aspect of the literature in Chapter 2, it was discussed in relation to an organisation's ability to create sustainable value in the long-term through the use of its capabilities to adapt and evolve (Baumgartner & Rauter, 2016; Saulick et al., 2023).

Resources in this perspective refers to human and financial resources, and this concept of an ideal structure for sustainability teams in banks. Spanning team size and how they relate to the organisational design. Capabilities are as put by many participants, future skills, thus emergent or adaptive to maintain pace with this evolving concept of sustainability. It is then a possibility that banks need to consider dynamic capabilities in how they resource their human capital and in the training they provide.

Table 30: Themes Discussed: Category 4 - Corporate Sustainability Strategy Integration

Theoretical Category	Themes	Alignment Banking Professionals & Experts	Alignment across Professional Group	Theme Prominence Across Professionals and Experts				
				Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Sustainability Stages in Banks	External pressure driving sustainability practices	●	●	●	●	●	●	●
	Sustainability resources and capabilities	●	●	●	◐	◐	●	◐
	Isomorphism	○	●	○	○	◐	◐	○

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

6.5.1 Resources and Sustainability Capabilities

Resources and capabilities are closely related, their relationship intricately interwoven in the resource-based theory (RBV). Which in this instance is theory in practice. The RBV asserts that organizations have the opportunity to create competitive advantage based on the organisation possessing certain kinds of “resources and capabilities”, among other factors “which can lead to the organisation to superior performance” (Barney, 1991). Important to the RBV is the concept that organisations are “bundles of resources and capabilities” (Barney et al., 2021). This view aligns with the findings, the participants highlighted in Chapter 5, sections 5.8 – 5.10, the resources in the form of human capital that were required to produce the desired sustainability performance required, as well as financial capital to support the sustainability strategy and its implementation. This implementation requires training, upskilling and marketing.

Aligned to the skills or capabilities required for sustainability, the importance of this was reinforced by the various groups of participants in Chapter 5, sections 5.8 – 5.10. Their rationale is that in order for sustainability to gain “its seat at the table” or to be elevated to its required prominence, requires understanding. The participants mentioned that this understanding of sustainability and its role in sustainable development needs to be understood across the banks, which is a mammoth task given the size of the banks in South Africa and their geographic footprint. The participants referred to “future skills” or the ability to speak and understand the “language of the future” which allows for the inference that the capabilities required to enable the meaningful progress demanded by stakeholders are dynamic

capabilities, which Barney et al. (2021), argues the concept is an extension of RBV. Dynamic capabilities are associated with reinventing or updating resources in line with the changing business landscape (Teece, 1997). The process of dynamic capabilities involves “sensing, seizing and transforming”. In the first phase of the process, the participants are aligned in that they sense the “changing customer needs”, banks are responding, albeit in a slow and incremental manner, with new products in the form of financial instruments and reconfiguring their sustainability models, as was found with two banks, as evidenced in Chapter 5, sections 5.8 – 5.10. Similarly, the banks are seizing, increasingly hiring more “green skills” and training and developing their staff to bridge the “green skills gap”. What they have, by their own admission, not succeeded in doing completely is transforming the process that Teece (2007) describes as based on the success of the first two phases, the “augmentation of enterprise resources and the need to continuously manage threat and reconfigure those resources. This is shaped by the processes ‘decentralisation and near decomposability’, ‘governance’, ‘cospecialisation’ and ‘knowledge management’”. And from the findings presented in Chapter 5, sections 5.8 – 5.10, it was evident that some of these stages may not have happened in sequence, or to the extent to which Teece had envisaged, but some of all of this is happening in pockets and fragmented – as described by a participant. The identification of governance in this final stage aligns with the literature in Chapter 2 (Amis et al., 2020).

The World Economic Forum (WEF) predicts that the demand for sustainability related skills will outpace the skills base. These skills were broadly defined by some participants as the understanding of climate change, its risks and its impact. This aligns with the UN’s definition of sustainability related skills, which they assert are “skills and know-how to either protect the environment, conserve resources or remove carbon”. This is despite the participants attesting to the small size of their teams, though some banks referred to their future proofing strategies and the role of sustainability equipped human capital, as substantiated in Chapter 5, sections 5.8 – 5.10. There are various debates on the benefits vs risks associated with this green skills drive, which suggest that some markets or countries will suffer job losses. A practical example is this race to decarbonise through the removal of fossil fuels, in the context of Africa, of which South Africa is the most coal dependent country in the world (Vona et al., 2018). The significance of this is to highlight that this challenge of meaningful sustainability performance is a challenge that many industries and companies are contending with. Multinational, Unilever who have had the halo effect of being regarded as the champion for sustainability, had to adjust its Sustainable Living targets in 2017, following a take-over and shareholder pressure to focus on short-term profit

This complexity aligns with the findings from the participants who acknowledged, in their frustrations, the complexity of this undertaking. This sense of urgency is not lost on the participants from the Banking Professionals as presented in Chapter 5, sections 5.8 – 5.10.

6.5.2 Conclusive Findings from construct 4: Understanding Corporate Sustainability performance in South Africa's banks: Characteristics associated with corporate sustainability performance

The findings emanating from the evidence in Chapter 5 and the discussion that followed in Chapter 6 highlight the importance of skills and resources required for banks on their sustainability journey. Capabilities were regarded as key enabling factor for banks to consider as part of their sustainability recourse planning to enable the effective integration of sustainability into the bank's strategies.

The following conclusive findings were discovered

- Banks need to provide the adequate human and financial capital for their sustainability ambitions.
- Key skills identified as immediate priorities for the banks to consider include climate change related skills.
- The extent to which the banks are “sensing, seizing and transforming” remains a question, following the sector's instance at preferring a slow and incremental approach.

6.6 DISCUSSION OF FINDINGS IN CONSTRUCT 5: CORPORATE SUSTAINABILITY PRACTICES IN SOUTH AFRICA'S BANKS

This finding was of significance in how it for the purposes of this study, integrated governance and sustainability performance; not in the metric centric manner it has been defined and attributed in the literature.

The concept of corporate purpose has garnered a lot of attention, over the course of the last ten or so decades. Having evolved over time from this concept of organisations existing to benefit what was then “stock owners”, a concept rooted in shareholder primacy. This theory is closely related to the agency theory advanced by Jensen and Meckling (1976), and it asserts that managers are motivated by their self-interest and are likely to advance these interests over the interest of the shareholders, such as profit maximisation (Jensen and Mecklin, 1976). In this vein, it is believed that it is this perspective that shaped the beliefs regarding corporate purpose at the time (Mejia, 2020). This is conceivable in that shareholder primacy or this idea that managers must maximise profits at all costs was entrenched in the way many corporates operated, as such these beliefs were legitimised and thus conceivable.

The key findings emanating from the participants as presented in Chapter 5 section 5.11, regarding purpose is that it is central to how a business should operate, considering its impacts and the broad spectrum of stakeholders, and as such, should exist to produce mutually beneficial value for its ecosystem. As with the previous sections, the process of selecting the themes for discussion in this chapter, the theme prominence was considered, as well as the level of alignment among participants was taken into consideration as illustrated in Table 31.

Table 31: Themes Discussed: Category 5 - Corporate Sustainability Practices

Theoretical Category	Themes	Theme Prominence Across Professionals and Experts						
		Alignment Banking Professionals & Experts	Alignment across Professional Group	Banking Sustainability Professional	Banker	Consulting Sustainability Experts	Activists	Governance Experts
Holistic View Of Corporate Sustainability	Purpose aligned with sustainability strategy	●	●	●	●	●	●	●
	Frameworks, Standards and Guidelines	●	●	●	◐	●	●	●
	Effective Risk Management	◐	◐	◐	◐	●	●	●
	Context and Country Characteristics	●	●	●	●	●	●	●

<p>Key: Professional and Expert Alignment</p> <p>○ Limited alignment / significant divergence</p> <p>◐ Partial alignment / slight differences</p> <p>● Highly aligned / limited to no differences</p>	<p>Key: Mention Prominence</p> <p>○ Limited alignment / significant divergence</p> <p>● Partial alignment / slight differences</p> <p>◐ Highly aligned / limited to no differences</p>
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Source: Author's own construct

6.6.1 Corporate Purpose

Corporate purpose, or the reason why organisations exist, is aligned with both the literature in Chapter 2 and the perspectives provided by the participants in this research. Broadly there was alignment that banks have a role to play in the country's economic development and as such, should exist to create sustainable economic value for all their shareholders.

The concept of corporate purpose is connected to the stakeholder theory, which is concerned with ethical management (Freeman et al., 2010, p. 7), and the expectations that businesses should exist to create value of any kind for all that it affects and by which an organisation can be affected. This view of value is agnostic to the type of industry or type of organisation. Stakeholders is an inclusive term and spans a wide variety of actors that have a vested interest in the organisation. This perspective aligns with the literature in Chapter 2, and the findings from this exploration (Freeman, 1984; Kakabadse, & Kakabadse, 2011). It is not without its challenges or antagonists, who have found this concept of stakeholder theory impractical and assert that it is not inconsistent with the shareholder primacy theory. Given its propensity to

favour certain stakeholders over others (Mayer, 2020). This shared perspective was among the findings in the research as a sentiment aligned with the participant's two subgroups in Chapter 5 section 5.11. Shareholder primacy was not explicitly focused on in the literature in Chapter 2, however some participants postulated that the banks had not moved to stakeholder theory but encompassed an aspect of "enlightened" shareholder capitalism (Mayer, 2020). Another view not considered in the literature in Chapter 2, is the finding offered earlier in this section regarding balanced disclosure, which reinforces the belief that the stakeholder theory overemphasizes the aspect of value creation and does not account for value destruction and the types of harms associated with this perspective (Harrison et al., 2019).

Similarly, Friedman (2002) postulates that businesses can be understood as a set of relationships between itself and stakeholders. As such organisations should be mindful of how to engage stakeholders meaningfully and when stakeholders need to be engaged. This view was represented in Chapter 2, by a similar sentiment shared by Busch et al. (2023), and is consistent with the research findings presented in Chapter 5 section 5.11. Finally, this theory which is underpinned by ethical behaviour and relationships asserts that relationships are predicated on "fair and reciprocal" treatment by all parties, in alignment with Freeman (1984) in Chapter 2, and a view supported by participants in this research as depicted in Table 20. The findings in Chapter 5 section 5.11 suggest the alignment across the subgroups regarding the fair treatment of stakeholders and this aspect of managing the relationship between the bank and its stakeholders.

With this backdrop of behaviours that should guide ethical management practices, and the guidelines of fair treatment of all stakeholders, as well as this view that business exists to create mutually beneficial value, whilst managing value destruction. It is inferable that this is how purpose integrates with corporate sustainability and corporate governance, which aligns to the perspectives of Busch et al. (2023), highlighted in Chapter 2.

The participant's regarded purpose is central to decision-making, a directional guide for the business to achieve its objectives within set parameters. In line with ISO 37000, the participants who were aligned on this view argued that corporate governance is a system that directs an organisation and provides oversight for how the organisation is held to account for "achieving its purpose" (*ISO 37000 Governance of Organizations - Guidance*, n.d.; Jaimes-Valdez & Jacobo-Hernandez, 2016). Additionally, the participants aligned on this perspective that their corporate purpose acts as a guide and that their strategy and sustainability objectives are integrated, as aligned with Cici and D'Isanto (2017).

6.7 CONCLUSION: DISCUSSIONS AND RECOMMENDATIONS

This section discusses the key findings as evidenced in Chapter 5 as well as the new findings that emerged as a result of this exploration. New themes identified as well as the sub-themes that were discovered were systematically compared to the literature presented in Chapter 2 as part of the four-step process discussed in section 6.1. with the implementation of step 5 where necessary. This step, which was used a number of times in the discussions was the process of comparing the themes identified to scholar cited in each respective construct in Chapter 2.

As a final step, given the number of unexpected findings, was a thorough word search the corporate governance and corporate sustainability literature at the researcher's disposal.

6.7.1 Summary of Conclusive Findings Across all Constructs

As stated in Chapter 1, the aim of the research is written up a theoretical statement regarding the relationship between corporate governance and corporate sustainability performance and to make recommendations concerning the mechanisms that would enhance sustainability performance in South Africa's banking sector. In order to maintain this North Star and contribute to this outcome, Table 32 highlights a summary of all the conclusive findings discovered in Chapter 6.

This breakdown is supportive of the external market forces beyond the banks control and those within its control to affect the transformation as postulated by participants in Chapter 5. Themes found to be similar to the literature:

- Country context.
- Corporate purpose.

Three themes that were identified as nuanced or slightly different to the literature were:

- Management practices.
- Reputation and greenwashing.
- Integrated thinking.

Two themes were identified to be completely new themes that could be considered a potential extension to existing literature:

- Diversity of Mindset.
- Capabilities and resources.

Table 32: Summary of Conclusive Findings from Discussions and Recommendations

Theoretical Category	Theme		Similar	Nuance of difference	Potential new theme
Good corporate governance	Management Practices	<ul style="list-style-type: none"> Exhibiting behaviours consistent with ethical conduct Embracing diversity of mindsets Directing, monitoring the bank beyond compliance 		✓	
	Intergrated Thinking	<ul style="list-style-type: none"> Integrated reporting is a result of year-round integrated Considering all capitals involved in the bank's value creation Outcomes of good corporate governance 		✓	
Governance Practices in South Africa's banks	Diversity of mindsets	<ul style="list-style-type: none"> Cognitive diversity in senior management team Diverse perspectives and sources of information embraced as part of decision-making processes Conditions to create this culture must be considered 			✓
The Role Of Corporate Sustainability Performance	Context and Country Characteristics	<ul style="list-style-type: none"> Contextual factors of the macro economic landscape and its implications on bank conduct. External governance mechanisms concerned with market forces 	✓		
	Reputation and Greenwashing	<ul style="list-style-type: none"> External governance mechanism associated with legitimacy and among the material risks tracked by banks 		✓	
Corporate Sustainability Strategy Integration in South Africa's banks	Capabilities and resource	<ul style="list-style-type: none"> Critical green capability shortage poses an imminent risk. Resource constraints with current teams given manpower shortage and lack of financial resources 			✓
Corporate Sustainability Practices in South Africa's banks	Purpose	<ul style="list-style-type: none"> Intentional strategy set out by the bank across all the dimensions of sustainability (people, planet, profit). Long-term approach to sustainability Integrated sustainability into corporate purpose 	✓		

Source: Author's own construct

CHAPTER 7: CONCLUSIONS AND RECCOMENDATIONS

7.1 INTRODUCTION

The purpose of the study was articulated in the beginning of Chapter 1 as an opportunity to explore the relationship between corporate governance and corporate sustainability performance. It was apparent from both the literature and the findings presented in Chapter 5, that these definitions were contentious and subject to impassioned debate, with the Professionals asserting with conviction their approach is balanced and considered, while the Experts asserted that it was obvious what needed to be done, contextual challenges considered.

The banks are instrumental to the country and are considered vital for the progress creating sustainable development (Dicuonzo et al., 2022). If the research progresses with the view that sustainability is the bank exists to use of its resources responsibly to create long-term sustainable value (Baumgartner & Rauter, 2016; Saulick et al., 2023), of all its constituents (Aras & Crowther, 2008). Additionally considering its impact (Saulick et al., 2023) and intentionally (Grewal & Serafeim, 2020), while creating outcomes in the form of progress towards its targets. This is a significant undertaking.

It was evident that little work has taken place to provide a comprehensive view of how sustainability performance should be evaluation (Büyüközkan & Karabulut, 2018). The literature asserts various mechanisms associated with corporate governance mechanisms as a means to provide legitimacy to the sustainability efforts undertaken by banks which suggests communicating an outcome of performance no one is clear on. Currently, it is asserted that the banks make use of various frameworks, standard and guidelines, as demonstrated in Figure 3. Additionally, there are various indices and awards that the banks utilise and a measure of their performance, which to the earlier point suggests that the focus is on the garnering legitimacy from an outcome, that at this stage is difficult to pinpoint. As such, in the absence of a clearly articulated, standard and comparable across industries measurement framework gives rise to inconsistent measurement of this multidimensional construct (Grewal & Serafeim, 2020). Therein lies the challenge.

For the most part, the research did investigate the relationship between corporate governance and corporate sustainability performance, the results of relationship indicate the challenge cited above – “everyone knows it needs to be done, nobody knows how”. The Activists and Experts were emphatic about science based targets, whilst banks lack the skills to understand what these mean and how to best go about it, as such are making incremental progress and directionally, it makes sense. The are all oversubscribed to the various frameworks, standards and guidelines suggesting that these boxes are being ticked and complied to, voluntarily.

The literature in Chapter 2 revealed several theoretical constructs as having influence on sustainability performance, these were analysed and compared with the findings from the research interviews, these were: understanding corporate governance in banks, understanding governance practices in the banks, understanding corporate sustainability performance, how corporate sustainability strategy is integrated and the corporate sustainability practices within banks. This literature when compared to the findings from the research as presented in Chapter 5 produced a number of unexpected findings. These findings were analysed based on prominence and alignment between the Professional subgroup and the Experts subgroup, and then among all the groups combined. The outcomes of this process resulted in seven themes that necessitated further discussion, these were: management practices and integrated thinking, diversity of mindset, reputation risk and greenwashing and context and country characteristics, resources and capabilities, corporate purpose alignment.

The outcomes of this process are stipulated in Table 21, which summarises the themes that were regarded to be similar to the literature, those that presented a slight nuance or difference and finally the themes that were different to the literature presented in Chapter 2, which presents an opportunity to extend the current literature.

7.2 PRINCIPAL CONCLUSIONS

This section is a culmination of all the aspects of the research, which will culminate in an updated conceptual framework that aims to answer the research question: “How does corporate governance influence corporate sustainability performance in South Africa’s banking sector?” The theoretical conclusions presented in Chapter 5 were summarised and synthesised into the final model as demonstrated in Figure 21.

7.2.1 Understanding Corporate Governance in Banks

The research concluded that governance processes and systems that are adopted, implemented and complied with, are an outcome of the leadership’s management practices and integrated thinking. This is to suggest that the culture of “good” governance is enabled and entrenched by the bank’s leadership. The outcomes in this theme suggested that alignment between this theme and literature was achieved as it was, it was difficult to ascertain which aspect of management practices reinforced good governance behaviour in the banks. Integrated reporting forms part of the bank’s external governance compliance as mentioned in the literature and by the participants, the outcome of integrated thinking is an integrated report. Given the broad definition of management practices and the broad governance mechanisms under discussion.

Conclusive findings included:

- The literature and participants were aligned that integrated thinking informs decision-making, with the outcome taking the shape of an integrated report.

Inconclusive findings relating to the broad topic under investigation:

- Better distinction of the corporate governance mechanisms under investigation to focus on fewer mechanisms to investigate as opposed to the broad generalisation.
- It is important to pre-emptively classify or isolate the leadership levels as part of the research questions to establish which leadership level is under investigation and related to corporate sustainability outcomes.

Based on the similarities found between the literature and the participant findings, neither of these topics were considered for standalone thematic categories and were integrated into the construct of governance mechanisms.

7.2.2 Understanding Governance Practices in The Banks

How the banks apply their governance practices was an important aspect to establish, as asserted in the literature and by some participants, there is a need for organisations to go beyond enforcing governance as a compliance tool. The theme emanating here was the need for greater diversity in mindsets to drive the sustainability transformation needed from a senior management and board level – as the custodians of strategy, governance, resource direction.

A surprising finding, connected to behavioural theories. However, given the current governance landscape, this finding led to more questions regarding the motivations of senior management and how they can direct an organisation in a bid to be compliant rather than being intentional regarding the changes that are required to drive transformative change. This view of diversify of information sources suggests that stakeholder collaboration could be beneficial if used for its intended purpose.

Several conclusive findings emanate from the analysis and discussion of the literature presented in Chapter 2 and the findings presented and Chapter 5.

- Diversity of mindset and information sources is a critical component of effective decision-making and strategy implementation.
- Diversity spans beyond the physical and non-physical characteristics but needs to consider diversity of mindset, aligned to the diversity theory.
- The skillsets present in the leadership and board level of the banks, as presented in their reports are inadequate to understand the complexity of climate change and its implications on the sector

7.2.3 Understanding Corporate Sustainability Performance

As external mechanisms attest, reputation and greenwashing and country context are powerful. As stated, the finding of reputation was unexpected. The findings present in this category suggest an alignment between the research and the participants, the possible allegation of greenwashing translates into reputational damage, that may result in financial losses and possible legal ramifications. The research concluded based on the analysis of the literature in Chapter 2 and the findings presented, that contextual factors play a critical role in the banks day-to-day operations form part of their material risks, along with reputation. It was found that given the risk lens that the banks approach sustainability, risks such as that of reputational damage due to greenwashing allegations engender governance compliance.

- Based on the evidence presented, reputation is regarded as a key driver of corporate governance compliance among the banks.
- The influence of contextual factors on bank's isomorphism on REM related performance.

The initial conceptual framework presented context as an influence on the banks at a sector and organisational level, this will remain in the updated framework and reputation has been featured as theme under sustainably performance mechanisms. It must be noted the weak signals from suggesting a theme on isomorphism.

7.2.4 Sustainability in South Africa's banks

When considering performance, it is natural to assume the tools to enable this performance would be provided. The findings from this category were astounding in that this was a perspective that was not in my consideration. The research in Chapter 2, was limited with respect to capabilities, and only considered structure in the form of board and senior leadership, much of the literature in this vein does. This concept of skills needed for sustainability is emergent and thus rare. In connecting the theories of resource based view and by extension dynamic capabilities it became evident that this was significant gap in research pertaining to or connecting these two concepts. Capabilities were regarded as key enabling factor for banks to consider as part of their sustainability recourse planning to enable the effective integration of sustainability into the bank's strategies. This theme was considered as a standalone category, as related to strategy enablement.

The following conclusive findings were discovered

- Banks need to provide the adequate human and financial capital for their sustainability ambitions.

- Key skills identified as immediate priorities for the banks to consider include climate change related skills.
- The extent to which the banks are “sensing, seizing and transforming” remains a question, following the sector’s instance at preferring a slow and incremental approach.

7.2.5 Corporate Sustainability Practices in South Africa’s banks

This theme of corporate purpose, or the reason why organisations exist, takes the discussion back to where it originated, coming full circle. Both the literature in Chapter 2 and the participants in this research were unanimous that purpose needs to be at the heart of strategy, which is to be a sustainable value creating business, that considers all its constituents’ well-being. Based on the level of alignment and high prominence of this outcome, the theme of corporate purpose will be carried to the sustainably governance outcomes expected from the sector. Should all participants embrace corporate sustainability as defined in the beginning of this chapter, enabled by governance to drive the outcomes as set out by King.

7.2.6 Research Contribution and Revised Conceptual Framework

As illustrated in the revised conceptual model, the research indicates the revision of two themes to extend the literature further to understand the relationship between corporate governance sustainability and corporate sustainability performance. Both the themes suggest an inability to do, to act, based on cognitive conditioning and also the lack of skills to truly understand the depth that sustainably demands of banks. Currently the banks have all taken a similar approach to sustainability and sustainability performance, each having declared various targets relating to their operations as well as in the form of sustainable finance mobilization. It was suggested by participants that Nedbank is the most progressive, one however evidenced this with the fact that among all the bank’s, Nedbank has a position on nature. Which considers the SDG wedding cake discussed in Chapter 2, indicating that perhaps they are on the right path. The rest couldn’t substantiate their views, which indicates the power of reputation in creating beliefs in people’s minds. This is not to assert that this is what Nedbank has done.

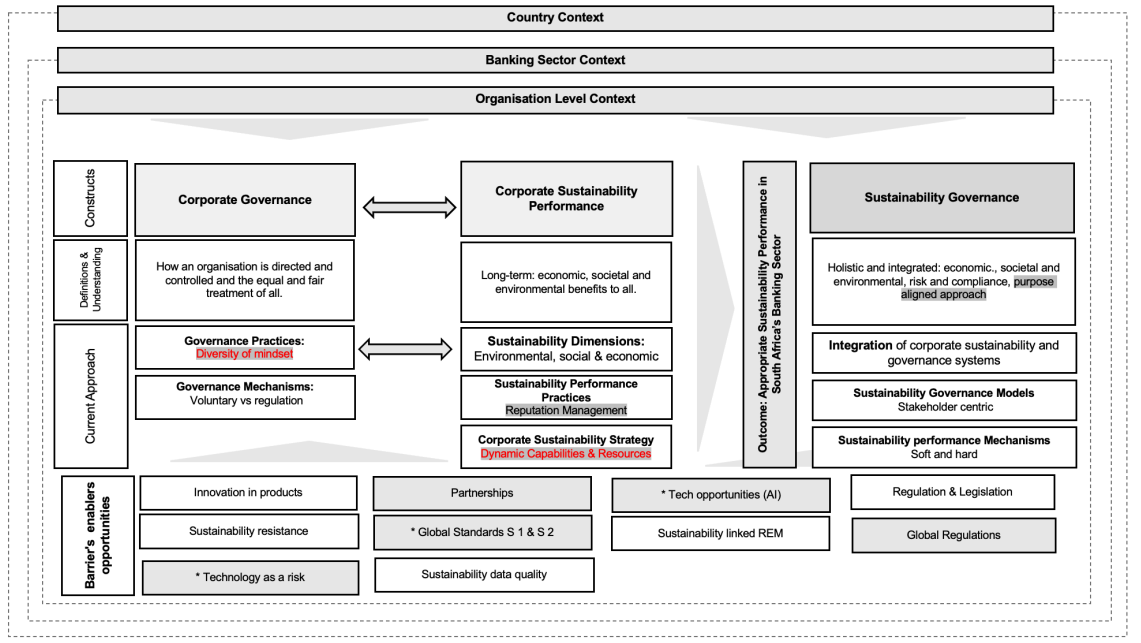


Figure 10: Revised Conceptual Model on Corporate Governance and Corporate Sustainability Performance

7.2.6.1. Contributions to Research

This research is akin to the iceberg theory, in its small and humble contribution to scholarship on corporate governance and corporate sustainability performance, by proposing that the perceived lack of meaningful action in the sector is consistent with the complexity of sustainability. This is a challenge that all industries are grappling with, irrespective of the challenges with its definition, not much literature exists on how to qualify sustainability performance – multiple models exist that are not scalable and in some instances are incomplete, as they lack contextual factors such as country and industry specificities.

- A number of contextual factors not explicitly discussed include the lack of policy certainty and at times contradictory pieces of legislation.
- The geopolitics of sustainability that impacts banks, in this global economy suggests that regulations and sentiments across the globe will impact the banks adversely
- Significantly, is the importance of the requisite skills within the banks at leadership and across the business units to enable the delivery of the ambitious sustainability targets in the SDGs
- Related to skills is the concept of cognitive diversity – which has been linked to critical effective decision-making and strategy implementation.
- The stakeholders interviewed suggested partnerships for collaboration as a means of skills transfer and to enable transparency

7.3 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The broad nature of the topics under exploration resulted in a number of inconclusive findings as discussed in Chapter 6, so it is difficult to identify which governance factors influence corporate sustainability outcomes. These are discussed below:

- The study should have considered contextual factors (country, industry and organisational levels) as a construct or lens under which to investigate the influence of corporate governance and sustainability performance, particularly given South Africa is an emerging economy. Thus, the relationship between this factor and corporate governance remains unclear.
- It is important to pre-emptively classify or isolate the leadership levels as part of the research questions to establish which leadership level is under investigation and related to corporate sustainability outcomes.
- Better distinction of the corporate governance mechanisms under investigation to focus on fewer mechanisms to investigate as opposed to the broad generalisation

Opportunities for future research:

- Possibly a consideration on whether there is a relationship between reporting quality, the perceived level of quality disclosures and transparency is not fully established.
- The influence of contextual factors on bank's isomorphism on and related sustainability performance.
- Banks need to provide the adequate human and financial capital for their sustainability ambitions.
- Key skills identified as immediate priorities for the banks to consider include climate change related skills.
- Further studies into the aspects of board composition relative to its influence on corporate sustainability performance in South Africa's banks needs to be considered, particularly focused on requisite skills.
- A specific focus on CEOs and their TMT leadership style, and its impact on organisational governance culture and its influence on sustainability performance.

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APPENDIX 1: CONSISTENCY MATRIX

An exploration into the intersection between corporate governance and corporate sustainability performance

Research Question	Unit of Analysis	Literature Review (incl paragraph number)	Data collection tool	Data analysis
Q1: How does corporate governance integrate with corporate sustainability performance in the top six listed banks on the Johannesburg Stock Exchange (JSE)?	Organisation Individual	Cadbury 2000; Naciti et al., 2021, Zingales 1988; Munir et al., 2019; Shrivastava & Addas, 2014 Aras & Crowther, 2008;W. Lu & Taylor, 2015; Landrum, 2017; Purvis et al., 2018	Questions 6 - 9	Thematic analysis
Q2: What type structures are in place to support the governance of sustainability in South Africa's top six banks?	Individual	Dicuonzo et al., 2022; E-Vahdati et al., 2019; Buallay et al., 2020	Questions 9 -12	Thematic analysis
Q3: Does the level of corporate governance within the bank positively correlate with the level of corporate sustainability performance?	Organisation Individual	Aras & Crowther, 2008;W. Lu & Taylor, 2015; Landrum, 2017; Purvis et al., 2018; Dicuonzo et al., 2022; E-Vahdati et al., 2019; Buallay et al., 2020		Thematic analysis

APPENDIX 2: INTERVIEW GUIDE

Focus Area	Associated Question
<p>Q1: How does corporate governance integrate with corporate sustainability performance in the top six listed banks on the Johannesburg Stock Exchange (JSE)?</p>	<ol style="list-style-type: none"> 1. What do you understand of the role of governance in the banking sector (how is corporate governance defined)? 2. Can you tell me about your role in the organisation and how it is involved with sustainability and/or governance? <ol style="list-style-type: none"> a. How is sustainability integrated into your overall corporate governance structure? 3. What do you understand of the role sustainability and sustainability performance plays the banking sector? And do you believe that banks have aligned this to their business's goals? 4. What specific strategies does your organisation employ to ensure governance practices align with sustainability objectives? 5. What outcomes are expected from integrating sustainability performance into the bank's strategic planning? <ol style="list-style-type: none"> a. Can you give me an example of decisions that were influenced by sustainability considerations? b. What role does sustainability play in your organisation's governance framework? 6. What challenges does your organisation face in integrating governance in sustainability performance? <p>Probe if needed: Please expand your response? Can you please provide an example of how you are integrating governance in sustainability performance?</p>
<p>Q2: What type of structures are in place to support the governance of sustainability in South Africa's top six banks?</p>	<ol style="list-style-type: none"> 7. How much does sustainability performance and sustainability strategy feature on management agendas? <ol style="list-style-type: none"> a. How do you ensure that all levels of the organisation understands their role in promoting sustainability? 8. What external mechanisms are in place to measure, track and report on sustainability performance/outcomes your bank (<i>*or the banking sector for industry specialists</i>)? 9. What internal mechanisms or systems does this organisation have in place to measure, track and report on sustainability performance? <ol style="list-style-type: none"> a. Are there dedicated teams focused solely on governance and sustainability performance? 10. In what ways do you see the various reporting frameworks and future legislation affecting sustainability performance reporting in the upcoming years?

<p>Q3: Is there a positive association between the level of corporate governance and the level of corporate sustainability performance within the banking sector??</p>	<p>11. Who is responsible to identify sustainability related objectives, key milestones, set appropriate time horizons and monitor delivery on these?</p> <p>12. Do you think that organisations that have strong corporate governance measures/mechanisms in place have better sustainability performance?</p> <ul style="list-style-type: none"> a. Which of these mechanisms/ measures do you believe engender sustainability performance? b. What specific governance practices significantly influence sustainability performance? c. Can you give me a specific example where governance led to better sustainability performance? <p>13. What trends do you foresee in the relationship between corporate governance and sustainability in the financial services industry?</p>
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APPENDIX 3: INVITATION EMAIL

INTERVIEW INVITATION EMAIL

Subject: Invitation to Participate in a Research Interview exploring the relationship between Corporate Governance and Corporate Sustainability Performance in South Africa's Banks

Dear XX

I hope this email finds you well.

My name is Refilwe Masemola and I am currently pursuing my Masters in Philosophy (Corporate Strategy) at the Gordon Institute for Business Science (Gibs). I am reaching out to you because you have been identified as a potential research participant who possesses valuable insights and experiences in the field of corporate governance and/or corporate sustainability performance in South Africa's banks.

In this the final decade of the Sustainable Development Goals (SDGs) 2030 agenda, there is a growing urgency among organisations to incorporate sustainability as a fundamental aspect of their overall strategy. This not only encompasses internal practices, but also extends to the way organisations engage and partner with suppliers and stakeholders across their entire value chains. This approach signifies a shift towards more sustainable and responsible business practices, as organisations come to recognise the importance of considering environmental and social impacts in addition to traditional business objectives.

Given the view that “what gets measured, gets managed”, many corporate governance proponents have drawn linkages between corporate sustainability performance and corporate governance, arguing that organisations with sound corporate governance practices are likely to have high sustainability practices.

What does this mean for South Africa's financial services industry? Herein lies the purpose of my research, which is to explore the relationship between corporate governance (as a strategy mechanism) and corporate sustainability performance in South Africa's banking sector.

I would like to invite you to participate in a research interview, which will provide an opportunity for you to share your perspective on the relationship between corporate governance and sustainability performance. The interview will be structured around a series of questions aimed

at understanding your perspectives on corporate governance and corporate sustainability performance in South Africa's banking sector. Your expertise and perspective would greatly contribute to enriching my study.

The interview will be conducted in person (where possible) and will last approximately 60 minutes. Your participation in this interview is entirely voluntary, and you are free to withdraw at any point without any penalty or consequences. Rest assured, all information shared during the interview will be treated with strict confidentiality and anonymity.

Should you decide to participate, I will be happy to schedule the interview at a time and date that is convenient for you.

If you have any questions or concerns regarding the research or the interview process, please do not hesitate to reach out to my supervisor who's details have been furnished below.

Thank you for considering this invitation.

Best regards,

Refilwe Masemola

21249998@mygibs.co.za

071 383 8718

Research supervisor name: Keith Fairhurst

Email: keith@scaleup.partners

Phone: 083 419 405

APPENDIX 4: INFORMED CONSENT FORM

Dear XX

RE: INFORMED CONSENT FORM FOR PARTICIPATING IN RESEARCH IS DETAILED BELOW

I am conducting research for the purposes the completion of my Master's in Philosophy (Corporate Strategy) with the Gordon Institute Business Science. The nature of my research relates to investigating the relationship between corporate governance and its impact on corporate sustainability performance across South Africa's top six banks.

To that end, you are asked to participate in an interview relating to my topic. The interview should take no more than 60 minutes.

Your participation is voluntary, and you can withdraw at any time without penalty.

Your participation is anonymous, and only aggregated data will be reported. By completing the survey, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: Refilwe Masemola

Email: 21249998@mygibs.co.za

Phone:071 383 8718

Research supervisor name: Keith Fairhurst

Email: keith@scaleup.partners

Phone: 083 419 4058

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

APPENDIX 5: CODE BOOK

ATLAS.ti Report

Sustainability and Governance thesis info

Code groups

Report created by Refilwe Masemola on 25 Nov 2024

- ◊ Bank Practices Implementing Sustainability
- ◊ Barriers & challenges associated with CG
- ◊ Barriers & Challenges to Sustainability Implementation
- ◊ Enforcement and behaviour
- ◊ Measurement of Sustainability Performance
- ◊ Other findings
- ◊ Relationship between the two
- ◊ Reporting
- ◊ Risk
- ◊ Role of financial services
- ◊ Role of governance
- ◊ Strategy Integration and Imbedding
- ◊ Strategy Implementation Influences
- ◊ Sustainability Performance
- ◊ Understanding of governance
- ◊ Understanding Sustainability
- ◊ What Influences Governance Implementation

APPENDIX 6: ETHICAL CLEARANCE LETTER

GIBS Masters Research 
to me, Masters 

**Gordon Institute
of Business Science**
University of Pretoria

Ethical Clearance
Approved

Dear Refilwe Masemola,

Please be advised that your application for **Ethical Clearance** has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

[Ethical Clearance Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS
Research Admin team.