The Nexus between Ethical Culture and Corporate Governance in a South African Bank

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DECLARATION

I, Morwesi Mashego, declare that this dissertation is a true presentation of my original research work as a student for the Masters in Business Administration at the Wits Business School. To the best of my knowledge, where contributions of others are involved, ever effort is made to acknowledge and indicate this, with due reference to the literature used in the research. This dissertation has not been previously submitted in full or partial fulfilment of the requirement for an equivalent or higher qualification at any other recognized education institution.

Signature:

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Abstract

Over the years, several regulations and laws have been enacted in attempt to advance the effectiveness of corporate governance. Effective corporate governance is important as it can protect against poor management and support the growth of organisations. However, the amount of corporate misconduct that has been reported has proven regulatory and legislative mechanisms to be insufficient in deterring misconduct. Scholars have suggested that future research should suggest ways in which the effectiveness of corporate governance can be advanced in organizations. The repercussions of corporate misconduct are that there are cost implications that have to be borne by organisations and possibly even the economy in cases of entities that are identified as systematically important financial institutions, such as banks. It is, therefore, important to investigate the nexus that lies between corporate governance and ethical culture to determine their impact when applied in organisations.

The research approach employed is the qualitative research methodology. A thematic comparative analysis was conducted from the integrated annual reports of Organisation X. Integrated annual reports from year 2018 to 2019 were studied in relation to the practice of corporate governance and ethical culture. In order to obtain insight on Organisation X's commitment to ethical culture, 13 semi-structured interviews were conducted with individuals employed by Organisation X.

As this study investigated the relationship between corporate governance and ethical culture in a South African banking institution, it reveals valuable insights regarding the various relationships that underlie the practices of corporate governance and ethical culture in organisations.

Key words

Corporate Governance; Code of Ethics or Code; Ethical Culture; or Culture of Ethics

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Chapter 1: Problem Conceptualisation

1. Problem Conceptualisation

1.1 Introduction

The genesis of corporate governance dates back to a few companies that were established in Britain during the 16th and 17th century (Morck & Steier, 2005; Steier, 2005). It was introduced as a way of regulating how organisations should compete for customers and how economic control amongst shareholders should be managed (Morck & Steier, 2005). Corporate governance gives investors some level of assurance that a firm will be run both ethically and strategically (Morck & Steier, 2005). This practice is essential because it tries to enforce transparency and accountability (Morck & Steier, 2005). Every listed company's share price represents the opinion of investors who collectively assess the effectiveness of its governance (Morck & Steier, 2005). Countries with low levels of corporate governance are generally regarded as bad investment destinations (Khanna & Zyla, 2017).

At a global level a number of corporate scandals have been reported. For instance, in the United States of America (US) large companies such as Enron, HealthSouth, Tyco and Worldcom were reported to have governance-related misconduct. At the point of exposure of their misconduct, these organisations witnessed a drop in the value of their equity due to the lack of confidence from investors and some of them even had their credit rating dropped to junk status (Agrawal & Chadha, 2005).

South Africa is amongst the countries on the African continent that are in the lead in terms of corporate governance standards (Tladi, 2021). It is well recognized throughout the world in this regard and is often used as a guideline for developing corporate governance systems, methods and policies (Tladi, 2021). Some of the well-known corporate governance mechanisms in South Africa are the King Codes on Corporate Governance, the Johannesburg Stock Exchange (JSE) compliance requirements and the Companies Act 71 of 2008. Nevertheless, there has still been corporate governance misconduct in South Africa and the Venda Building Society (VBS) is one such an example. However, Arjoon (2005) posits that mechanisms for ensuring legal compliance sometimes fail if they fall short of moral drive. Organisations should take advantage of the chance to develop an ethical organisational culture that supersedes mere adherence to legal requirements. In order to ensure that an organisation practices ethical standards, the people managing such an institution must be ethical (Arjoon, 2005). Research is pointing in the direction that there could be a positive relationship between weak corporate governance and increased corporate misconduct (McKinney & Moore, 2007).

As mentioned, legal and regulatory mechanisms have proven to be insufficient to restore confidence and trust in organisations because they lack moral drive (Arjoon, 2005). This paper seeks to determine the nexus between ethical culture and corporate governance in a South African banking institution in order to understand the impact these aspects have when applied in organisations. Banking institutions are some of the most important financial institutions in any society, thus, their governance failures can be potentially disastrous to the economy (Muzata, 2022). Their failure can easily spill over into other sectors of the economy, creating a crippling effect on the financial system (Jian, 2023).

1.2 Problem Statement

Some of the reasons that have led to poor corporate governance have been found to be the gains to be attained in contrast to the probabilities of being exposed and punished (Cole et al., 2021). Others have stated that the low number of non-executive directors on the board, dishonest internal auditors, pressure and/or threats from top management, abuse of power by influential employees, lack of training on corporate ethics and poor performance of the company during the height of economic growth, could be some of the reasons that lead to poor governance (Tutino & Merlo, 2019). There are also researchers who argue that the principal-agency relationship creates room for asymmetric information because shareholders are not closely associated with the day-to-day operations of the business (Duley, n.d.).

In South Africa, banks are subjected to several regulatory frameworks and oversight due to the key role they play in the economy. This practice seeks to ensure the steadiness and dependency of the monetary and financial system (Okeahalam, 1998). It, however, is unfortunate that even with the myriad of legislative frameworks in place some banks still fail to operate ethically (Vo & Le, 2023). To overcome the challenge of misconduct in banks, Isukul and Chizea (2017) recommended that banks should solidify their own controls through self-regulation and the better management of risks. There have not been many studies investigating the relationship between corporate governance and an ethical culture (da Silveria, 2021; Tutino & Merlo, 2019; van Vuuren, 2020). This paper seeks to determine the nexus between ethical culture and corporate governance in a South African banking institution in order to understand the impact these practices have when applied in organsations. The research questions that are reviewed in this paper are:

Research Question 1: What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

Research Question 2: Is the enforcement of ethical culture contingent on a specific board composition?

1.3 Justification of the Stu

This research is relevant because there seems to be an increase in reports of corporate scandals that can easily trigger investors' distrust. It is important that systematically important financial institutions find mechanisms to reduce corporate misconduct because it can have an adverse impact on the economy (Morck & Steier, 2005). Shareholders will also feel at ease with the information provided to them by management because they will respect its integrity (Morck & Steier, 2005). To the researcher's knowledge, there have been few studies prior to this one that deal with the nexus between ethical culture and corporate governance. As such, this paper can be beneficial to the banking industry, regulatory bodies and the government. It also will be of value to those researchers who are interested in the area of corporate governance and ethics, particularly in developing countries.

1.4 Delimitations of the Study

The study was conducted in South Africa. The participants were employees of a single banking institution (referred to as Organisation X throughout this report). Its findings, therefore, do not represent the views of all banks in South Africa. The secondary data was collected from integrated reports issued during the years 2018 to 2022, that represents a specific point in time.

1.5 Operational Definitions

Corporate governance or governance

These terms have been defined as a set of controls that ensure the management manages the organisation in the stakeholders' best interests (Gregoriou & Renneboog, 2007). In their meaning, they incorporate corporate sustainability and corporate social responsibility (Almagtome et al., 2020).

Code of Ethics or Ethical Code or Code

A code of ethics is an official statement of the principles that regulate the behaviour of members of an organisation simply because they belong to that group (Hildt et al., 2022).

Ethical Culture or Culture of Ethics or Organisational Ethical Culture

The mutual ethical convictions shared by members of an organisation are referred to as its corporate ethical culture (Chadegani & Jari, 2016). This practice comprises the promoting of ethical conduct and reducing unethical conduct within an organisation (Chadegani & Jari, 2016).

1.6 Structure of the Research Paper

The section to follow presents a review of relevant literature that will provide clarity regarding corporate governance, together with its strengths and weaknesses. It will also put into perspective the evolution of corporate governance. The competing theories in corporate governance shall be explained as well as the reason for choosing the agency theory and the organizational culture theory for this research study. In particular, the literature review looks at previous studies that seek to explain how an ethical culture can be used for the benefit of corporate governance, the reasons for corporate governance misconduct, and strategies for deterring misconduct. Thereafter, this paper will identify knowledge gaps that will later be discussed in attempt to counteract this deficiency.

Chapter 2: Literature Review & Theoretical Framework

2. Systematic Review of Literature

2.1 Introduction

The literature review was conducted in an attempt to evaluate how ethical culture has been linked to corporate governance within organisations. The literature review focuses on the evolution of corporate governance, some of the reported reasons for corporate misconduct, the mechanisms and processes that can be relied on to reduce corporate misconduct, how corporate governance is usually treated by organisations, specifically banks, the significance of an ethical culture and the applicable theoretical frameworks. Research questions will be established and presented towards the end of the chapter.

2.2 Empirical Review of Literature

The literature review looks at previous research that explains how an ethical culture can be used for the benefit of corporate governance, the factors leading to corporate governance misconduct and strategies for deterring such practices.

2.2.1. Reviewed Literature

2.2.1.1 The Relationship between an Ethical Culture and Corporate Governance Mechanisms

A lack of ethical culture has been cited as one of the root causes of the increase in corporate governance misconduct (da Silveira, 2021). Previous research shows that an ethical culture is detectable in the following circumstances: there is a high probability of unethical practices being exposed, ethical behaviour is prevalent, wrong doings are rectified, employee engagement is high, there are high levels of customer gratification, employees’ productivity and lower levels of absenteeism (da Silveira, 2021). The reviewed literature provided evidence to demonstrate that there is a positive correlation (although the results are to be applied with caution) between an ethical culture and having an independent and/or a gender diverse board. These findings illustrate that ethical culture is a reliable mechanism for transforming behaviour. In support of this view, King IV makes it clear that in situations in which a culture of ethics exists, corporate governance is bound to be effective. This statement establishes the basis for understanding the nexus of ethical culture on corporate governance.

2.2.1.2 The Evolution of Corporate Governance

This research study sought to trace the evolution of corporate governance. In the past, corporate governance involved laws that provided boards of directors, shareholders and managers a legal structure in an attempt to resolve agency problems between principals and their agents (Zaman, et al., 2020). The recently developed view of corporate governance offers a broader perspective because it takes into account how business decisions affect even non-financial stakeholders (Zaman et al., 2020). These shifting views were mainly driven by reports of non-financial misconduct that was estimated to have cost large companies billions of dollars in fines (Zaman et al., 2020). This finding confirms that corporate governance misconduct is no longer limited to financial aspects, thus, ethical standards ought to be extended to non-financial matters such as those relating to the environment and society. This particular conclusion is of relevance for this paper because it highlights that corporate governance transgression takes into account non-financial misconduct that may relate to the environment and the community.

2.2.1.3 The Necessity of Ethical Education

The objectives of the research conducted by Tutino and Merlo (2019) was to point out the different factors that have led to accounting fraud and to determine if an ethical environment existed before the misconduct was committed. Their study states that an environment that enforces education and recognition of ethics is key in mitigating misconduct. In support, Hong Kong based research studies showed that policies on ethics and the tone from the senior leadership are linked to reduced fraudulent conduct (Tutino & Merlo, 2019). This research is worth noting because it supports the argument that the board has the potential to reduce misconduct in an organisation as was posited by Silveira (2021).

2.2.1.4 The Tone for Ethical Behaviour Should be set at the Top

This research study assessed how corporate governance plays a role in the reduction of fraud (Onesti & Palumbo, 2023). Its review of previous research findings demonstrated that ineffective corporate governance will likely give rise to fraud. The study alleges that formalised rules of conduct and ethics programmes are not sufficient to deter fraud (Onesti & Palumbo, 2023). Executives are responsible for defining the appropriate "tone at the top" and demonstrating commitment to corporate governance through their actions (Onesti & Palumbo, 2023). These findings support those of Tutino and Merlo (2019) who earlier stated that top executives are responsible for defining the right conduct and living up to it. The board of directors has the potential to reduce misconduct if they personally demonstrate ethical behaviour. A code or verbal address is simply not enough – leadership has to be seen "walking the talk".

2.2.1.5 Factors Contributing to Misconduct and Reducing Corporate Governance Adherence

One of the primary objectives of this research was to review the cause and consequences of the various types of corporate misconduct through an evaluation of the extant literature because the impact of misconduct can lead to deteriorating state of trust and adversely impact the country (Cole et al., 2021). The study upholds that the likelihood of employees engaging in misconduct is greatly influenced by the ethical conduct of their colleagues (Cole et al., 2021). Without intervention such behavior can lead to an environment that breeds misconduct (Cole et al., 2021). Prior to committing the misconduct employees are most likely to weigh the anticipated gain against the probabilities of being caught and the extent of the applicable punishment (Cole et al., 2021). The speed with which the wrongdoing is discovered and punished is also critical because this consequence will form part of the potential 'criminal's thinking process (Cole et al., 2021).

The results of the reviewed studies provided insight on some of the factors that people considered prior to engaging in corporate misconduct and this information was useful to the researcher because this paper sought to determine how to reduce misconduct in order to increase corporate governance compliance.

2.2.1.6 Ethics and Corporate Governance through the King Codes

King I provides a guideline on ethics and mainly focuses on the board's responsibility to ensure the firm adheres to ethical standards of behaviour and to capture those ethical standards in a code of ethics that is sufficiently thorough and precise to provide direction to employees (Rossouw, 2020). The reviewed research stated that a code of ethics is only one component of a larger formal ethics programme that should include both behavioural and structural features (Rossouw, 2020). The structural controls may include such aspects as ethics risk evaluations and monitoring systems, compensation systems, training on ethics (Rossouw, 2020). These findings are useful for this research study that takes the position that the existence of ethical codes will not sufficiently bring about change. There is more value in translating the code into a culture within the organisation because such a culture of ethics has the potential to bridge the gap between the code and practice.

2.2.1.7 How to Instill Ethical Behaviour

One of the objectives of the reviewed research literature was to determine the root cause for the occurrence of corporate governance failures and to find relevant ways in which they can be reduced (Tladi, 2021). This study found that one of the most important ways of instilling ethical behaviour within organisations was to have the ethical values form part of the agenda of meetings throughout the various levels and sections of the organisation (Tladi, 2021). In addition, there needs to be a risk management system in place to track and evaluate the risks involved when applying the code of ethics so that these can be mitigated (Tladi, 2021). As mentioned previously, developing an ethical organisation requires more than a mere conformity with formal rules and systems (Tladi, 2021). It requires individual leadership and organisational dedication (Tladi, 2021). The reviewed research does not expressly state that there is some correlation between the two, however, it implies that corporate governance and ethics should begin with senior leadership and these concepts cannot be successfully implemented if the leadership is not committed to them.

2.2.1.8 An ethical Culture is an Outcome of Corporate Governance

The aim of the literature review was to highlight areas that require further research in terms of corporate governance reporting. According to de Villiers and Dimes (2020), effective corporate governance will not only show in strong financial results, but also through the establishment of a culture of ethics and control mechanisms that are effective. These researchers also noted that a number of corporate governance misconduct practices occur because of executives' unethical behaviour. The study's findings take a similar stance to those provided by Rossouw (2020) and Tladi (2021), i.e., ethics is an important part of effective governance and that top management needs to lead by example.

2.2.1.9 Are Governance Disclosures Conclusive of Corporate Governance

The aims of this study was to determine if the governance disclosures made by organisations affiliated to the JSE provided sufficient confidence to users that effective governance is in place (van Vuuren, 2020). Various stakeholders expressed concern regarding the ongoing corporate scandals that they traced to shortfalls in the corporate governance procedures (van Vuuren, 2020). Although, this research aligns with that of Rossouw (2020) in that ethics should form part of corporate governance, the difference is that van Vuuren urges that it is the corporate governance code that not should be treated as a tick box exercise (as opposed to the ethical code). The challenge is that if there is not a code that specifically deals with ethics, would it still be possible to instill an ethical behavior?

2.2.1.10 Design of the Code and its impact of Corporate Governance

Codes, rules and processes are deemed to provide direction and clarity in terms of expectations (Stöber et al., 2019). It is of paramount importance that training is provided for the employees so that the written rules and processes can be practically implemented (Stöber et al., 2019). The empirical findings demonstrate that it is the design of the code, not the code itself that is important because it can enhance the users' ethical intent (Stöber et al., 2019). This study contributes to the argument presented by the King Reports that state that a code on its own is not sufficient to bring about an ethically transformed organisation, no matter how well designed it is.

2.2.1.11 Costs arising from Corporate Governance Failures

Corporate governance failures that emanate from the lack of adherence to laws and best practice frameworks have financial repercussions (Muzata, 2022). This researcher, however, is not persuaded that passing more laws or regulations will be any fruitful because South African financial markets are well regulated and best practices, such as the King Reports, are internationally recognised (Muzata, 2022). It is important that detection of red flags indicating unethical practices occurs as early as possible and such a practice would require improved management by those working in the gatekeeping occupations (Muzata, 2022). Their role is crucial in reducing the costs that occur as a result of governance failures (Muzata, 2022). In support of Muzata (2022), this paper takes the view that it is the responsibility of all people employed by the organisation to reduce governance failure and subsequently, reduce such costs. This is the reason why instilling a culture of ethics is advocated in this paper.

2.2.1.12 Remuneration of Senior Executives in Relation to Governance

The reviewed research points out that certain remuneration structures could enable bad behaviour by executives (Etwereni & Cavaliere, 2020). Generally, executives are motivated by instant company success because this practice may be tied to cash compensation for achieving short-term targets (Etwereni & Cavaliere, 2020). In order for executives to make decisions and follow strategies that maximise the returns to the shareholder(s), they need to have incentives in the form of a right mix of bonuses, long term incentive packages and basic pay (Etwereni & Cavaliere, 2020). These researchers point out that unethical behaviour can be a result of the benefits that the organisation makes available to executives for meeting targets. This practice can result in the prioritisation of their own interests and compromising those of the shareholders.

2.2.1.13 The connection between Human Resources and Corporate Governance

Human Resources Management **(**HRM) is concerned with achieving certain behavioural outcomes amongst employees (Lima & Galleli, 2021). These researchers stressed that the link between HRM and corporate governance should be investigated because there may be benefits in merging the two (Lima & Galleli, 2021). The compensation system, particularly as it relates to executives, is regarded as one of the most crucial tools for reconciling the objectives of the company's managers and owners (Lima & Galleli, 2021). The point made by Lima and Galleli (2021) is similar to that made by previously Etwereni and Cavaliere (2020), namely that compensation could be used as a driver to determine desirable outcomes from top management, i.e., its ethical conduct.

2.2.1.14 The Structuring of Board Committees

The structure of board committees have not been studied sufficiently (Lee, 2020). There are various board committees designated to serve various purposes. When organisations form committees, they do so in a manner that will optimise shareholder returns (Lee, 2020). This researcher found that organisations place high dependence on independent directors sitting on various committees. This practice has proven to enhance aspects such as their advisory and monitoring duties. However, organisations must be careful not to overload the independent directors with so many tasks that they become distracted and no longer focus on their areas of expertise. Board committees are a support structure to the board of directors.

2.2.3.15 Risk Management should be Managed Internally by Organisations

Kana (2020) acknowledges that even with introduction of regulatory developments to curb corporate governance failures over the last three decades, there are still several companies whose corporate scandals have surfaced. Inasmuch as the natural operations of business are transactional, good corporate governance calls for ethical leadership rather than leadership that is self-serving (Mohale, 2018, as cited in Kana, 2020) and the strength of the values of leadership will lead to good governance as opposed to rules. These research findings are supported by the views expressed in the King reports (cited in Rossouw, 2021) in that an ethical culture is central to effective corporate governance.

2.2.3.16 The link between Corporate Governance and Financial Misconduct

The aim of the research was to review the relationship between corporate governance and misconduct which particularly emanates from the failure of financial management. Velte (2020) posits that the quality that is placed on reporting by organization is very important as stakeholders trust the information furnished in the report. When financial scandals emerge, this has a negative impact on trust. The researcher states that financial misconduct may lead the organization into financial challenges such as bankruptcy. The research concludes that there is evidence revealing that certain corporate governance mechanisms, like board diversity, lead to reduced misconduct. Velte's (2020) argument aligns with the view provided by Muzata (2020) - where governance fails, there is most likely going to be a financial cost on the organization.

2.3 Theoretical Framework

2.3.1 Theoretical Underpinnings

To date, a number of reports pertaining to corporate governance misconduct have emerged at both a local and global level. It was discovered that the majority of the firms that were reported for corporate scandals already had governance measures in place when the non-compliant behaviour occurred (Corporate governance: a South African perspective, n.d.). The Financial Action Task Force (FATF) has even placed South Africa under increased monitoring as a result of its weakened adherence to its own financial crime legal frameworks (What does FATF Greylisting Mean for a Country?, 2023). This action demonstrates that creating governance frameworks and codes does not guarantee compliance. The reviewed literature suggests that certain corporate governance aspects, such as board composition and independent directors, could be linked to effective corporate governance (da Silveira, 2021). In addition, it has been expressed that even with a myriad of legislative frameworks in place some banks still fail to operate ethically (Vo & Lee, 2023). This paper posits that organisations should take advantage of the chance to develop an ethical organisational culture within organisations and not rely solely on legal frameworks. This section looks at the theoretical framework under which corporate governance was initiated and as well as a theoretical framework underpinning organizational culture

2.3.2. The Agency Theory and Other Factors

The relationship between corporate governance and misconduct can be best understood through a theoretical framework (Velte, 2021). The seggregation of corporate ownership and control necessitates the deployment of corporate governance (Munir et al., 2019). The agency theory takes the perspectiv that a separation of control from ownership causes agency issues and posits that a quality governance structure decreases the danger of exploitation by agents (Munir et al., 2019). Consequently, this challenge necessitates a mechanism that has the capacity to hold the balance between the interests of both agents and principals. The notion of corporate governance gradually emerged in order to decrease agency problems. Some agency issues can be attributed to the agents abusing their positions for personal gain and failing to take reasonable measures in pursuit of the principals' interests (Munir et al., 2019). Access to information represents another challenge in the principal-agent relationship because the principal will not have as much information as the agent (Munir et al., 2019). It is the fiduciary duty of the board to manage the organisation's business in the best way possible (Munir et al., 2019). Good corporate governance entails developing and expanding shareholder value while also safeguarding their interests (Munir et al., 2019).

Although the agency theory is the fundamental premise that has influenced the development of corporate governance, there have been differing views from researchers that have led to the establishment of other theoretical frameworks in relation to corporate governance.

The stakeholder theory has gained significant support because organisations are becoming aware that they need to also have regard to a wider stakeholder constituency such as employees, providers of credit, customers, suppliers, government and the communities in which they operate (Mallin, 2016). In practice, several entities strive to optimise shareholder value whilst at the same time trying to uphold the interests of the all material stakeholders (Mallin, 2016). One of the reasons for giving preference to shareholders in particular is that they can only receive their portion after other stakeholders, such as creditors, have received theirs (Mallin, 2016). Velte (2021) supports the stakeholder theory due to the belief that the success of the organisation goes far beyond the relationship of the shareholders and entails the interests of other stakeholders who might have non-financial interests (Velte, 2021).

This paper agrees with the principles of the agency theory for purposes of this study for the following reasons:

Conflict of Interest

As mentioned, it has been found that part of the reason for corporate misconduct is abuse by top management due to the gains that they can attain from the organisation (Tutino & Merlo, 2019). In ensuring that they can continue pursuing their own interests, the agents may end up concealing information from shareholders because they are far removed from the daily operations of the business (Duley, n.d.). If exposed, the agent's actions may impact the organisation's reputation and, ultimately, its profits. However, the reviewed research has already established that shareholders are concerned with profit maximisation (Eze, 2022). This practice often results in a conflict of interest arising between the board and the shareholders. The appointment of another party to act on their behalf enables the possibility of a deviation from the principal's interests.

Principal/Agent roles

The Companies Act no.71 of 2008 gives shareholders the authority to appoint and remove directors, as well as to approve their remuneration packages. This power places shareholders in a position to remove directors who are non-compliant with the governance requirements and reward those who are. Additionally, the shareholders can formally express their expectations of the directors through the shareholders agreement (Alabdullah, 2016). This contract confirms that there lies a principal/agent relationship whereby the directors must act in accordance with the expectations of shareholders.

The elements of the agency theory are as follows:

Principals: The principal (i.e. shareholder) appoints the agents (i.e. the board) through a contract that commits the agents to undertaking significant authority in relation to key aspects of the organisation (Hien & Hai, 2020). The main interest of the principal is for the organisation to maximise profits because this will bring value to the investment that they have placed in the organisation.

Agents: The agents service the principals by managing the funds invested by the principals through the application of their expertise within the organisation (Hien & Hai, 2020).

Thus, there is a dependency relationship between the principals and the agents: the principals require the expertise of the agents to increase the value of their investment and the agents require the funds of the principals in order to run the organisation (Pande & Ansari, 2014).

Agency Problems: Agency issues develop as a result of control being separated from ownership. This practice has cost implications for the principal who is required to invest in monitoring mechanisms (Hien & Hai, 2020). The agency theory posits that agents have many interests that they might wish to pursue, some of which are not in line with those of the principal (Pande & Ansari, 2014). There are several occasions during which managers regard the company as property they own, thereby, abusing the delegation of powers granted to them by the shareholders (Hien & Hai, 2020). Some of this entitlement could relate to the managers taking advantage of benefits that are not due to them and obtaining incentives that have no relation to their conducting business operations (Hien & Hai, 2020). Further, the delegation of power often leads to information asymmetry because it pushes the shareholders further away from the daily operations of the business (Hien & Hai, 2020). This exclusion makes it easy for management to manipulate the facts to the shareholders.

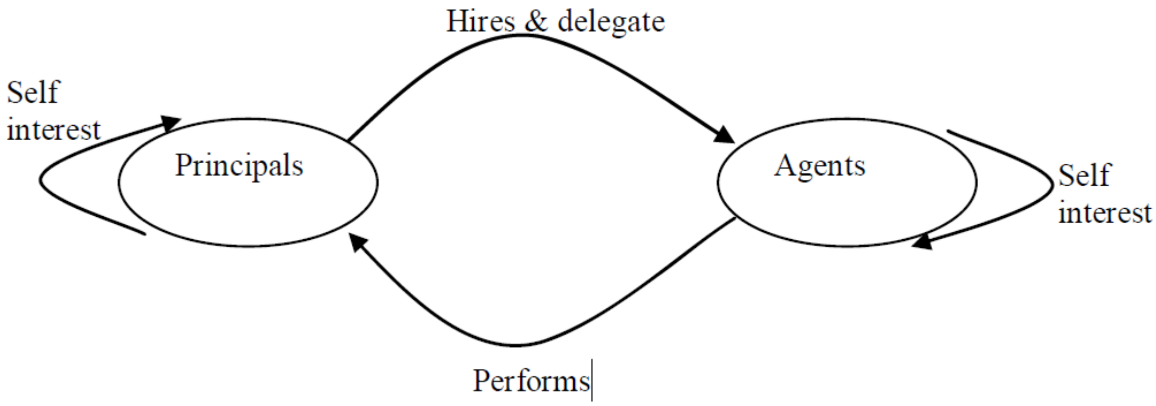


Figure 1: The Agency Theory as illustrated by Hien and Hai (2020)

2.3.3 Organisational Culture Theory

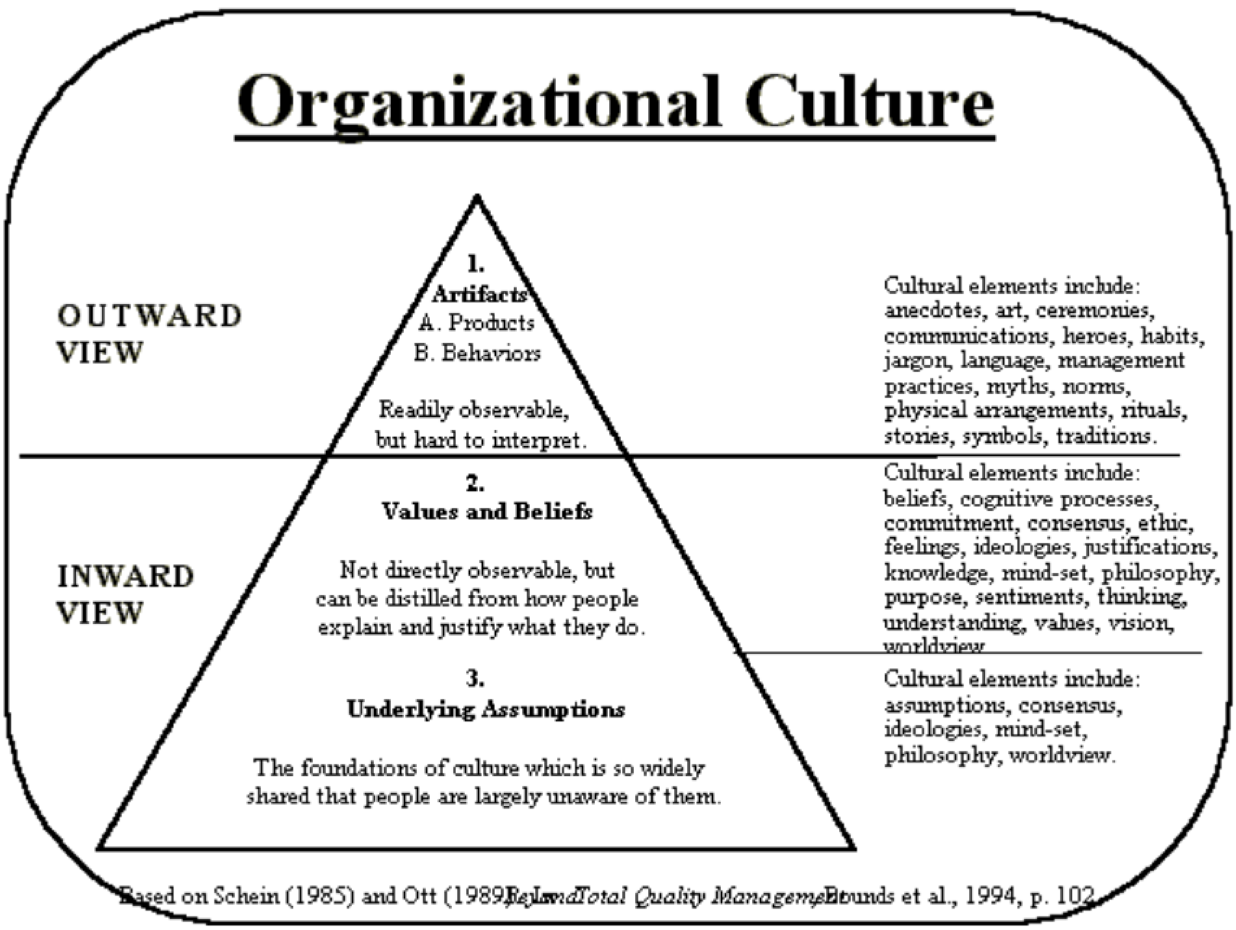


Figure 2: The Organisational Culture model by Schein (1983)

Organisational culture has been described as set of common fundamental beliefs acquired by a group for purposes of resolving its issues in relation to internal cohesion and adaptation to the outside world (Schein, 1983). These beliefs have proven effective enough to be accepted, and as a result, they are passed on to newcomers. Schein (1983) argues that organizational culture has three observable levels. The first level relates to visible artefacts. These include the physical surroundings of the enterprise, including its technological infrastructure and capabilities, building design, dressing style, office structure, and staff orientation policies. The model states that this data is easy to see but difficult to interpret as the underlying purpose may be abstract. The second level has to do with beliefs and values. These explain why people are required to adhere to certain behaviour. In terms of visual observation, values may be difficult to see without inquiring with knowledgeable members of the group. An investigation of the organizational policies and standards may also need to be conducted. The content of such materials may even require inferences to be drawn as they may not expressly state the organisation's values. These values are the reasons behind actions and decisions taken within the organization. Over time a value can evolve into assumption as members become used to responding in a particular manner. Assumption is the third level of the organizational culture model developed by Schein (1983). When the assumption level is reached, it becomes difficult to dispute certain values as it is considered that that is how things have been done for a long time. At this stage, the values are already deeply reinforced in members and a level of ignorance has settled in. It would prove to be difficult to change or challenge these assumptions.

The model takes the position that it is leadership that sets the environment. The environment is a reflection of the values of the founders which would have transformed into the assumptions over time. The mechanisms that embed the assumptions will be dependent on one of the following six factors: a) prevailing control systems and measures; b) leadership's reaction to events; c) distribution of limited resources; d) role modeling; e) incentives; and f) recruitment and promotion standards.

2.4. Research Gaps

The reviewed literature identified the following gaps that this research paper seeks to investigate in an attempt to contribute knowledge to the current research:

2.4.1 In his research, da Silveira (2021) expressed that although there have been several researchers who investigated ethical culture and its outcomes, he was not aware of any other research studies that have been undertaken regarding the relationship between ethical culture and corporate governance mechanisms. Da Silveira (2021) posits that even so, the papers written on the outcomes of ethical culture were written within the context of a developed country. Thus, the first research question is:

What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

2.4.2 The particular corporate governance mechanisms that were observed in the research conducted by da Silveira (2021) related to the composition of the board. The outcome of this research was that there are certain compositions of the board that positively relate to ethical culture, such as the number of independent directors and gender diversity. The results of da Silveira's (2021) study were mixed in relation to board independence, age and gender diversity. Therefore, the second research question is:

Is the enforcement of ethical culture contingent on a specific board composition?

2.5 Conclusion

The above discussions of the agency theory revealed that a separation of control from ownership causes agency issues. Consequently, the agency theory is insistent that rules must be established for purposes of minimising any abuses by those delegated with the task of running the organisation. However, this paper posits that rules need to be supplemented by organizational culture and this is the reason the organizational culture model had to be explored.. As mentioned, the limitations with the current construction of the agency theory is that it does not take into consideration the interests of non-financial stakeholders and the recent developments of corporate governance The reviewed literature revealed that an ethical culture plays a crucial role in effective governance. Researchers also felt strongly about executives demonstrating a commitment to ethics through corporate governance. Lastly, empirical evidence has found that certain characteristics of the board can be used to improve ethical conduct within the organisation.

Chapter 3: Research Methodology

3. Research Methodology

3.1 Introduction

The purpose of this study is to explore the nexus between ethical culture and corporate governance in a South African banking institution in order to understand the impact they have when applied and practiced in organisations. The main aim of this chapter is to highlight the research methods and processes selected for the purpose of dealing with the research question. The premise for their selection was their suitability to the study's objectives. This chapter discusses the research approach, research paradigm, research design, data collection, data analysis as well as ethical considerations practiced during research.

3.2. Research Approach

There are three main research approaches that can be employed: quantitative, qualitative and mixed methods. For purposes of this research, the qualitative research approach will be applied. Qualitative research takes interest in investigating and understanding the meaning that people give to a human or social related phenomenon (Creswell, 2009). The research process includes the investigation of new questions and processes (Creswell, 2009). Data is established from specific and broader themes that the researcher attempts to interpret (Creswell, 2009). A qualitative study requires the researcher to explore through a broad lens, seeking patterns of connections between an undetermined set of concepts (Brannen, 2016). This process requires researchers to utilize themselves as an instrument, whilst being aware of both their own preconceptions and the actual facts (Brannen, 2016).

This research has reviewed themes relating to an ethical culture and corporate governance in order to establish the nexus between an ethical culture and corporate governance. The process required a reflective exercise. In order to establish the banking institution's commitment to an ethical culture, interviews were conducted.

3.3. Research Paradigm

A paradigm has to do with the manner in which specific challenges occur, as well how to go about examining these challenges. It can be defined as a set of principles that drive actions (Guba, 1990). There are several theoretical paradigms used in research such as: positivist/post-positivist, constructivist, interpretivist, transformative, emancipatory, critical, pragmatist and deconstructivist.

Interpretivists contend that many realities are socially created and that the truth is non-existent (Rehman & Alharthi, 2016). Reality cannot be known because of the intervention of human senses that are tainted by worldviews and personal experiences (Rehman & Alharthi, 2016). The interpretive research technique views social events from the perspective of the participants as opposed to the researcher (Rehman & Alharthi, 2016). Interpretivists usually collect qualitative data over a specific duration (Rehman & Alharthi, 2016). In conducting their data analysis, these researchers use an inductive method so that they can identify patterns in the data that are hidden under broader themes and then generate a theory from this information (Rehman & Alharthi, 2016)

This research study relied on the interpretivist paradigm. The responses pertaining to organisational ethical culture as obtained from the interviews were used to enhance the researcher's understanding of the facts reported in the companies' annual reports. In addition, the researcher conducted a review of annual reports that were issued over a specific number of years in order to note the recurring themes and patterns in terms of ethical culture and corporate governance.

3.4 Data Collection Methods

3.4.1 Population and Sample

A population is any group of individuals or entities that a researcher wishes to investigate (Shields, 2017). A sample frame is an inventory of the individuals or entities from the population that may be contacted and are suitable for inclusion in the study (Shields, 2017).

The sample size is an important aspect of any scientific investigation that seeks to draw findings about a population on the basis of the studied sample (Taherdoost, 2017). A sample must be sufficiently large in order to prevent sampling oversights or prejudices and facilitate the generalisation of the study's findings (Taherdoost, 2017).

Saturation is key when conducting a thematic analysis because it can assist with reaching validity during qualitative research (Ando et al., 2014). However, the main challenge is that it is not clear how a point of saturation can be established in a thematic analysis (Ando et al., 2014). In order to produce a rich understanding of encounters, the chosen sample size must be both adequately small and adequately large to handle the desired material and requires subjective judgment to establish an appropriate degree of rigour, accuracy and trust (Ando et al., 2014).

This research study conducted an investigation in respect of a South African banking institution. Integrated reports published by Organisation X from the year 2018 to 2022 were reviewed.

A total of 13 participants who had been employed by Organisation X for at least a minimum of 12 months were interviewed. These individuals were considered to be knowledgeable about the employment of ethical practices within the organisation. They were specifically selected to retest Organisation X's commitment to ethical culture. Table 1 below discloses their roles as well as the participants' different areas of expertise.

Table 1: Interviewed Participants

Organisation	Participant	Participants' Role	Area of Expertise	Number of Participants
Organisation X	A1	Product Manager	Savings	1
Organisation X	A2	Legal Counsel	Employee Relations	1
Organisation X	A3	Customer Management	Savings	1
Organisation X	A4	Legal Counsel	Insurance	1
Organisation X	A5	Legal Counsel	Investments	1
Organisation X	A6	Process Manager	Retail Banking	1
Organisation X	A7	Risk Specialist	Investments	1
Organisation X	A8	Product Manager	International Banking	1
Organisation X	A9	Legal Counsel	Branch Channels	1
Organisation X	A10	Legal Counsel	Retail Banking	1
Organisation X	A11	Legal Counsel	Digital Channels	1
Organisation X	A12	Customer Experience Manager	Retail Banking	1
Organisation X	A13	Legal Counsel	Employee Relations	1
				Total = 13

Source: Developed by researcher

3.4.2 Sampling Design

Purposeful sampling is often employed in qualitative studies to identify and choose subject matters that are loaded with information in relation to the topic in question (Palinkas et al., 2013). Contrary to random sampling, purposive sampling is very specific about whom or what should be sampled (Campbell et al., 2020).

The choice of this study's targeted sample was important as understanding the nexus between ethical culture and corporate governance will help to shed light on the impact of an ethical culture in relation to corporate governance. As mentioned, banks are important to the national and global economy especially when they are significant in size.

3.4.3 Data Collection Procedure and Data Collection Instrument

3.4.3.1 Data Collection Instrument

In a qualitative research study the researcher may be interested in finding facts or inquiring more about perspectives, attitudes, encounters, procedures or conduct (Rowley, 2012). Interviews are frequently utilized for collecting such information (Rowley, 2012).

For this study the interview questions were prepared in line with the themes that emerged from the review of Organisation X's integrated reports (2018 – 2022) with respect to ethics. These interviews were semi-structured in order to accommodate other information that may be relevant to this study.

3.4.3.2 Data Collection Methodology and Procedure

This research utilised the thematic analysis research methodology. In thematic analysis, the researcher's interpretation of the collected data plays an important role (Guest et al., 2012). Thematic analyses, focuses on detecting and defining both the implicit and explicit principles within the data (Guest et al., 2012). Codes that link into themes have to be developed from the raw data being assessed (Guest et al., 2012). Thematic analysis may extend to comparing the number of times that codes appear or are visually represented and examining the correlation between the codes and data (Guest et al., 2012).

The data collection steps for a thematic analysis are:

Step 1: Become familiar with the data

This process requires immersion in the data and entails reading it over and over again while actively looking for patterns and interpretations (Nowell et al., 2017).

Step 2: Producing the first codes

This stage entails the first production of codes from the data – coding in a qualitative study is a reflective activity that involves engaging with and thinking about data (Nowell et al., 2017).

Step 3: Collate data into themes

During this stage all the possibly applicable coded data extractions are organised into themes (Braun & Clarke, 2006, cited in Nowell et al., 2017).

Step 4: Test the coherence of codes

During this stage, the researcher reviews the coded data per theme to see whether they fit together. A code may be eliminated if determined unnecessary or substantially conflicts with other code (Nowell et al., 2017).

Step 5: Revising themes

Themes need to be revised before being considered as final and the coding process should involve a minimum of two rounds of scrutiny (Nowell et al., 2017).

Step 6: Generate a report

Braun and Clarke, 2006 (as cited in Nowell et al., 2017), state that the written report of a thematic analysis must give a succinct, cohesive, rational, non-repetitive and engaging description of the data within themes.

3.4.3.3 Data Analysis

3.4.3.3.1 How Data was analysed

In analyzing the data, the author of this research study reviewed the integrated reports of Organisation X from years 2018 up to 2022. These were read several times. The first few reviews were aimed at becoming with the use of language of the integrated reports as this would assist in understanding the latent and express meaning. Sections relating to corporate governance and ethics were highlighted as to indicate to the author that they required more focus. Each of the annual reports reviewed provided the author of this research with the position that Organisation X held in relation to corporate governance and ethics. Every section that was linked to corporate governance was marked ‘CG’ and sections relating to ethics were marked ‘Ethics’. The next step that ensued was to consider and physically note what messaging the various sections were revealing in relation to corporate governance and ethics in Organisation X. The notes were converted into codes, as can be seen in Annexure C below. In cases where codes overlapped, the author considered whether they should be collapsed, deleted or broken down into further codes. Where the codes where broken down further or collapsed, categories were established out of those words and phrases. It was at this juncture that the author had to understand what the main message revealed by each category was. Patterns were drawn and distinctions were made by the author. The message was disclosed as a theme. This process was followed for the sections related to corporate governance and ethics.

Themes relating to ethics as revealed by the integrated reports from 2018 up to 2022 were used to create a semi-structured interview guide to which 13 interviews were conducted. This was done to retest the findings revealed by the integrated reports. The interviews for this study were conducted on the Microsoft Teams platform between October and November 2023. Permission to record the interviews was requested from each participant prior to the recording being made. When conducting an analysis to the interview data, the interview recording was replayed. Under each interview question, all the responses of the 13 participants were recorded in writing. It was important to revisit the recording as it revealed what the participants felt most strongly about. The responses compiled under each question were compared in order to establish patterns and develop key words and phrases. The author tested if these words/phrases still fitted into the themes obtained from the integrated reports. The findings were that there was alignment to the data collected from the integrated reports but the interview data added more richness in that examples and scenarios were provided by the participants. However, the limitation of the data collected through interviews was that, unlike the integrated reports, it did not compartmentalise feedback in terms of the years but rather it was obtained as the general views of Organisation X by the participants. The themes established in terms of ethics and corporate governance are:

Ethics Themes	**Corporate Governance Themes**
Defined conduct	Compliance
Adherence standards	Board Obligations
Informed Employees	Oversight Structures
Ethics Risk Management	Disclosures
Market Share	Board Diversity
	Directors Experience

3.4.3.3.2 Reliability and validity

It is important that the research process is considered trustworthy so that other researcher can replicate it (Lincoln & Guba, 1985, as cited in Nowell et al., 2017). In terms of attaining creditworthiness these researchers propose a variety of strategies including prolonged involvement, continuous observation and triangulation of the data. The above mentioned integrated annual reports were read several times to create familiarity before the themes were drawn and several times after the themes have been extracted to test their consistency.

In order to guarantee dependability, researchers should ensure the study method is rational, identifiable and thoroughly recorded (Nowell et al., 2017). Other researchers are better equipped to assess the reliability of the study when they can see how it was conducted (Lincoln & Guba, 1985, as cited in Nowell et al., 2017). The researcher believes that this current study has provided clear information in a manner that is easy to follow, thus, allowing it to be audited by readers/researchers so that they can personally judge its dependability and arrive at conclusions that are similar to those presented in this research report.

3.5 Ethical Considerations

As indicated previously, ethical considerations are an important aspect of conducting research. With respect to the annual integrated reports, secondary data was collected from the internet and, thus, constitutes public information. The researcher has acknowledged all the authors of the original pieces of work reviewed during this process (Sciulli & Adhariani, 2022).

In relation to the primary data collection, the researcher is required to protect the identity of the participants who are interviewed (Creswell, 2009). The organisation being investigated has to provide consent for the disclosure of non-public information (Creswell, 2009) and this consent was obtained in writing prior to the commencement of the research process. The participants also have to consent to participating in the interviews (Creswell, 2009)**.** Their consent was sought through a virtual meeting that was recorded through Microsoft teams. The identity of the individuals who were interviewed was not disclosed in the research report and the study findings and conclusions will be retained for two years from date of the interviews.

Chapter 4: Results and Findings

4. Results and Findings

4.1 Introduction

This chapter discloses the findings that were obtained through the primary and secondary data collection processes explained in Chapter 3. There were 13 semi-structured interviews that were successfully conducted with the objective of seeking to understand the perspective and experiences of each participant. In terms of the secondary data collection, Organisation X's integrated annual reports for the years 2018 to 2022 were studied. The findings and results will be presented in accordance with the two research questions that were formulated in Chapter 2.

4.2 Interviewed Participants

A total of 13 participants from Organisation X were interviewed. Their areas of expertise included Legal Counsel, Product Management, Customer Experience Manager, Risk and Customer Manager. Table 2 below displays this information.

Table 2: Participant's role and expertise

<table>
<tr><th>Organisation</th><th>Participant</th><th>Participants' Role</th><th>Area of Expertise</th></tr>
<tr><td>Organisation X</td><td>A1</td><td>Product Manager</td><td>Savings</td></tr>
<tr><td>Organisation X</td><td>A2</td><td>Legal Counsel</td><td>Employee Relations</td></tr>
<tr><td>Organisation X</td><td>A3</td><td>Customer Management</td><td>Savings</td></tr>
<tr><td>Organisation X</td><td>A4</td><td>Legal Counsel</td><td>Insurance</td></tr>
<tr><td>Organisation X</td><td>A5</td><td>Legal Counsel</td><td>Investments</td></tr>
<tr><td>Organisation X</td><td>A6</td><td>Process Manager</td><td>Retail Banking</td></tr>
<tr><td>Organisation X</td><td>A7</td><td>Risk Specialist</td><td>Investments</td></tr>
<tr><td>Organisation X</td><td>A8</td><td>Product Manager</td><td>International Banking</td></tr>
<tr><td>Organisation X</td><td>A9</td><td>Legal Counsel</td><td>Branch Channels</td></tr>
<tr><td>Organisation X</td><td>A10</td><td>Legal Counsel</td><td>Retail Banking</td></tr>
<tr><td>Organisation X</td><td>A11</td><td rowspan="2">Legal Counsel Customer Experience Manager</td><td>Digital Channels</td></tr>
<tr><td>Organisation X</td><td>A12</td><td>Retail Banking</td></tr>
<tr><td>Organisation X</td><td>A13</td><td>Legal Counsel</td><td>Employee Relations</td></tr>
</table>

Source: Developed by researcher

4.3 Theoretical Themes and the Research Questions

Chapter 2 contains details of the reviewed literature from which two research questions were formulated:

Research Question 1: What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

Research Question 2: Is the enforcement of ethical culture contingent on a specific board composition?

The theoretical themes were established to address the research questions formulated during the literature review in Chapter 2. Figure 1 below exhibits the theoretical themes established for the subjects ‘ethics’ and ‘corporate governance’ in relation to the research questions that will be discussed in this chapter.

Fig. 1: Theoretical themes in terms of research questions

Theoretical Themes under Ethics	Theoretical Themes under Corporate Governance	
Defined Conduct	Compliance	RESEARCH QUESTION 1
Adherence Standards	Board Obligations	RESEARCH QUESTION 1
Informed Employees	Oversight Structures	RESEARCH QUESTION 1
Ethics Risk	Disclosure	RESEARCH QUESTION 1
Market Share		RESEARCH QUESTION 1
Defined Conduct		RESEARCH QUESTION 1
	Board Diversity	RESEARCH QUESTION 2
	Directors’ Experience	RESEARCH QUESTION 2

4.3.1 Ethics

4.3.1.1 Theoretical Themes Analysis – Defined Conduct

4.3.1.1.1 Integrated reports (2018 – 2022)

Evidence from the integrated reports discloses that Organisation X takes it upon itself to stipulate what ethical behaviour is acceptable and unacceptable from its employees, thereby defining ethical conduct. Organisation X seems to require that acceptable ethical behaviour is demonstrated on a daily basis through its employees living up to the organisational values. These values were established in order to drive certain conduct within the organization and, amongst other things, assist Organisation X to place an expectation on how its employees should conduct themselves. These values pertaining to ethical conduct relate to: fairness, integrity, trust and a lack of discrimination. Organisation X discourages misconduct in its different forms such as that relating to dishonesty, money laundering, corruption, fraud, terrorist financing and, most recently it has expressly discouraged breaches of ethical conduct as a whole.

4.3.1.1.2 Interview feedback

The theme of 'defined conduct' relates to the defined conduct within the organisation, particularly in relation to ethical behaviour. A significant number of the participants highlighted that this financial institution fostered open communication. Participant A7, a Risk Specialist at Organisation X, shared that the bank has created a culture of 'speaking-up'. She expressed that in relation to the previous banks she had worked for, she found this policy admirable. Participant A10 stated that the team she supports exercises an open-door policy. This comment suggests that employees are empowered to discuss topics that they might find disconcerting and uncomfortable. Similarly, the views of Participant A4 were that there is transparency and openness within the organisation. These practices place Organisation X at an advantage because they imply that unethical situations can be exposed and managed sooner rather than later.

"There is transparency and openness. We know what is happening in the organisation. This also shows that there is accountability", **(Participant A4).**

Participant A3 explained that the organisation requires its staff to treat customers fairly. These 'treating customers fairly' principles have become a legal requirement and are enforced by regulators such as the Financial Sector Conduct Authority to ensure that customers of financial institutions receive fair treatment. This practice suggests the incorporation of laws within Organisation X's organizational processes. Furthermore, Participant A3 added that these processes require legal and compliance oversight on customer communication so as to ensure that customers are treated equitably.

"We are required to ensure that customers receive what is due to them. We work closely with Legal and Compliance to ensure that there is alignment with laws and policy. We work in such a manner that there is openness with the customer and that we have the customer at the centre of it all", **(Participant A3).**

In terms of values that were visible at Organisation X, Participants A12 and A8 stated that they were encouraged to take responsibility and to treat each other and customers with respect. Participant A6, a Process Design Manager, pointed out that a sense of empathy became evident within the organisation during the COVID-19 pandemic. He explained that during COVID-19 pandemic they were requested by Organisation X to create solutions to ease customers' burdens, especially for those who were vulnerable as a result of the pandemic. He added that the wellbeing of employees is also a concern that is prioritized by the organization, even above the drive for profits.

A number of the participants also referred to the ethical conduct training they have received during which Organisation X clearly indicated what is expected of them.

"Everything in an organisation starts with a policy framework. If it is coded in policy it makes it difficult for people to move away from it. However, people still need to be trained on their day to day conduct. After employees have been trained, then we need to monitor and provide oversight", **(Participant A13).**

4.3.1.2 Theoretical Themes Analysis – Adherence Standards

4.3.1.2.1 Integrated reports (2018 – 2022)

Organisation X requires that its employees are cognizant of governance because it sets a standard for the adherence of its operations in the financial services sector. Its processes are formulated in such a way that its employees are enabled to adhere to laws, regulations and policies, e.g. Training and disciplinary processes. Organisation X relies on its ethics code to appropriately influence the organisational culture. However, various elements of acceptable conduct can be traced in its various policies. The organisation also has a committee that considers matters pertaining to ethics and holds management accountable in this regard.

4.3.1.2.2 Interview feedback

The theme of adherence standards has to do with how Organisation X enforces ethical governance to ensure that there is adherence by its employees. In terms of a policy on ethics, the participants unanimously agreed that Organisation X has a specific ethics policy that is easily accessible. Further, most of the participants advised that ethical conduct was covered in a broader suite of policies in addition to the ethics policy.

"We do have a policy on ethics which sets the values and behaviours of what is expected of employees. The ethics policy is the main one but we also have other policies which speak to conduct risk, reputational risk, conflict of interest,etc. The bank provides an exhaustive list of what it considers as ethical and unethical", **(Participant A2).**

It can be gathered from the above evidence that perhaps Organisation X's ethics policy is too general which is why traces of ethics can be located in other policies that are subject matter specific.

An interesting disclosure made by Participant A1 is that in order to encourage adherence to the ethics policy, Organisation X ties remuneration to how employees have conducted themselves in line with the ethics policy.

Further evidence provided by Participant A5, A13 and A9, who are all from the legal department, revealed that the ethics policy extends to customers and suppliers that Organisation X works with.

"When we engage suppliers for business they are required to act in line with our policies. This is so even with clients. We don't expect our clients to act unethically. For instance, with our third party employees such as the guys that work in the canteen the bank has an underlying agreement with their employer where it enforces that those employees are to align to the ethical conduct required in our policies", **(Participant A13).**

Participant A9 specifically mentioned that Organisation X will terminate business contracts where there is non-compliance.

4.3.1.3 Theoretical Themes Analysis – Informed Employees

4.3.1.3.1 Integrated reports (2018 – 2022)

Organisation X has reported that employees are educated on ethical conduct versus conduct that is unethical. The integrated reports state that Organisation X does this through frequent communication and enabling an environment that allows open communication. These practices are also supported by awareness campaigns which aim to bring attention to the fact that ethical conduct is required by the employer.

4.3.1.3.2 Interviews

The theme of informed employees has to do with how Organisation X educates and informs employees on what is ethical behaviour and what is not. All the participants shared that they have received training on ethical processes. The evidence collected disclosed that the training is conducted online and that it is compulsory for all employees. Participant A12 revealed that if employees do not complete the training, this may potentially impact their year-end performance appraisals. According to Participant A2, who is legal counsel in the employee relations department, an ethics training record is maintained. The training record is used during disciplinary hearings to remind employees about what they had previously attested to.

The next question posed to the participants was to verify in what other ways, besides training, Organisation X tries to educate employees on the topic of ethics. The majority of the participants referred to internal communication via email. Participant A13 and A12 highlighted that the content of the mail was not really memorable because these emails are interspersed with normal work emails. They questioned the impact of such email communication.

"We also get emails, I am just not sure how much of an impact this has. The fact that I cannot recall what the emails state could hint that more could be done. When receiving these awareness emails during between work emails, I don't think employees pay much attention to them", **(Participant A13).**

This evidence reveals that while there may be other attempts on the part of Organisation X to inform and encourage ethical conduct, it goes unnoticed by the people it is meant to influence. This comment could imply that in order to be more impactful Organisation X should consider other ways of communication because employees are inundated by emails that relate to their day-to-day responsibilities.

4.3.1.4 Theoretical Themes Analysis – Ethics Risk Management

4.3.1.4.1 Integrated reports (2018 – 2022)

In order to assert its management of ethical risk, Organisation X has put in place mechanisms that involve risk governance, oversight structures, reporting channels and consequences for misconduct. It has set up an overarching risk management framework and a specific framework that governs conduct. On occasions when misconduct has occurred a complaint may be laid, the 'whistle-blowing' platform can be utilised or reporting may be anonymous. There are consequences that flow from misconduct such as disciplinary processes as a result of which employees may be dismissed and Organisation X may face penalties or fines. In order to ensure the effectiveness of risk management Organization X has an ethics committee that plays an oversight role in the overall management of ethics.

4.3.1.4.2 Interviews

The theme ethics risk management encompasses how Organisation X manages ethical risk. The participants unanimously agreed that Organisation X discourages unethical conduct. Further, a large number of the participants stated that the most obvious manner in which it discourages unethical conduct aside from training is the disciplinary processes that sometimes result in dismissals. A significant number of the employees stated that they have witnessed colleagues being dismissed or being requested to take mandatory leave for purposes of Organisation X conducting investigations.

"The bank does not negotiate when someone's conduct has been found wanting. In addition the bank encourages people to step forward if there are any suspicions and this shows that unethical conduct is discouraged by the bank" **(Participant A3).**

Participant A3 explained that Organisation X is set up in what he termed 'separation of duty'. This separation enables the role of oversight to be played by the risk functions. Participant A7 expressed that as a Risk Specialist in the banking institution, she knows that people have been arrested for unethical conduct.

"As Risk Specialists we are always looking out for risk including that relating to conduct. Where it is detected there will be consequences. People have gone to prison that used to work for the bank. Then bank does not hide this. Fraud Risk collects the statistics", **(Participant A7).**

In terms of reporting, the majority of the participants agreed that there are many channels for this purpose, however, they could not recall them. This fact implies that Organisation X need to do more to bring awareness of the various platforms that are available to employees.

In responding to whether Organisation X has an ethics committee, all the participants responded positively. Feedback obtained from Participant A1 is that the establishment of this committee was a strategic move on the part of Organisation X.

"The committee is a strategic response by the organisation as the committee can assist in protecting the bank and its employees thereby safeguarding jobs within the organisation", **(Participant A1).**

4.3.1.5 Theoretical Themes Analysis – Market Share

4.3.1.5.1 Integrated reports (2018 – 2022)

Market share is reported to be valuable to Organisation X because it operates in a highly competitive environment. Organisation X states that it appreciates that creating value for its key stakeholders is vital for purposes of sustaining its business in the market within which it operates because this practice will mitigate value erosion. It believes that good conduct is a crucial part of value creation which is why it fosters an ethical culture within the organisation. Organisation X further reported that there is a focus on brand management in order to support value creation. It emphasized that both its employees and customers are essential stakeholders for the success of its business. Lastly, it was recorded that Organisation X's reputation is important to its stakeholders because it desires to be seen as a trustworthy bank.

4.3.1.5.2 Interviews

In the given theme of market share, the participants explained why it is important that Organisation X implements an ethical culture. They mainly referred to how Organisation X values its reputation as being the backbone of its brand. They acknowledged that this practice was further linked to how Organisation X desired to position itself to the public. Participant A1, who is a Product Manager, explained that banking operates as a network in that customers' experiences reach the attention of other clients quickly. She expressed that if Organisation X does not offer good customer service, that is the marketing image that its customers will present to others. This comment suggests that Organisation X not only focuses on branding to position itself to customers but it recognises that customer experience is also a form of marketing that is driven by the customer. As a Product Manager in the International Banking space, Participant A8 provided the view that Organisation X understands that upholding ethical values has a positive impact on its ability to expand and grow into markets such as Islamic Banking, including those customers who sometimes believe that banks are misusing their money. Participant A9, a Senior Manager in the legal department, expressed that although there are some challenges that Organisation X faces in driving a culture of ethics, it recognizes the importance of brand management through promoting ethical behaviour amongst its employees:

"Upholding the brand is what the bank prioritises. The bank tries to ensure that we align ourselves to a good reputation through the values that have been set. In order to be

profitable as a bank, we uphold an ethical culture. The bank operates in a way that it acknowledges brand affiliation through correct behaviour", **(Participant A9).**

The value of trust was raised repeatedly during the discussion of market share.

"The bank places high importance on the ethical culture as in this manner stakeholders can trust them better", **(Participant A5).**

Participant A12 took the view that when trust is broken, it can take a very long time to rebuild.

4.3.2 Corporate Governance Themes

4.3.2.1 Theoretical Themes Analysis – Compliance

4.3.2.1.1 Integrated reports (2018 – 2022)

Through its integrated reports (2018 – 2022) Organisation X shared that its operational structures comply with several international and local regulations, rules, guidelines, frameworks, policies and charters ("Rules and Regulations"). These reports also indicate that such practices form the foundation in which Organisation X approaches important decisions. They guide the way in which directors and the executive committee engage with each other when making these decisions. In addition, their roles and responsibilities are clarified in these rules and regulations so as to avoid a conflict of duty and the abuse of power. It was interesting to note that there were certain policies and frameworks that had been established by Organisation X over time, indicating that there has been some level of evolution around corporate governance considerations within this organization. These are the conflict of interest policy, the stakeholder engagement policy, the ethics policy, sustainability policy, the sustainability risk framework and the compliance charter. It was reported that the sustainability risk framework and the sustainability risk policy was introduced after 2019 partly due to the increasing expectation from stakeholders to manage the risks related to sustainability in the daily operations of Organisation X. Linked to sustainability is the stakeholder engagement policy that was introduced after 2020. It aims to drive a positive impact on sustainability through engagement. The stakeholders' feedback is then considered in strategic approaches and enhances decisions. The ethics policy aims to re-emphasise Organisation X’s values and acceptable conduct to stakeholders. As part of creating an ethical culture, the conflict of interest policy requires that the board members and all employees should declare whether or not they are conflicted in terms of interest. This practice is seen as enhancing the independence of directors. The insight gained in this finding is that ethics and sustainability have become crucial practices for organisations. Perhaps it is also an indication that the market in which banking institutions operate requires organisations that are ethical and consider the long term impact of their actions through sustainability.

4.3.2.2 Theoretical Themes Analysis – Board Obligations

4.3.2.2.1 Integrated reports (2018 – 2022)

As a result of the vast number of regulations and policies regulating banks, obligations emanating from corporate governance are prevalent. These commitments determine the roles and responsibilities of role players within organisations. At a high level, the board is responsible for monitoring Organisation X’s control environment, approving strategy and monitoring its execution, overseeing stakeholder policies and adjusting risk appetite. The strategy of Organisation X is approved by the board and from there an operating model is established to support its execution. The responsibility of ensuring that the strategy is carried out in a manner that can still meet the organisational objectives rests with the board. The integrated reports specifically highlighted that the board is ultimately accountable for Organisation X’s overall performance, including actions that relate to ethics. This responsibility extends to the societal and environmental impact of Organisation X’s business operations. An interesting observation was that the section that elaborates on the board’s accountability in relation to performance appears under the ethics section. This placement could suggest that Organisation X requires that its performance is driven by ethical practices.

4.3.2.3 Theoretical Themes Analysis – Oversight Structures

4.3.2.3.1 Integrated reports (2018 – 2022)

Organisation X has various committees that work together to enable a flow of information and informed decision making within the organisation. The board has its own committees that act as an extension to the board because they assist in executing the board's duties and responsibilities. There is a minimum of one director who sits on each of the committees and updates on proceedings are provided to the board. This practice suggests that the director, who is a representative of the board, has the necessary oversight to ensure that the committees do not lose sight of the board's objectives. The most notable board committees for the purposes of this research study are the ethics committee, the social and sustainability committee and the compensation committee. The ethics committee evaluates Organisation X's progress in terms of ethical performance in line with a score card. The insight that this practice provides enables Organisation X to test the effectiveness of its ethics initiatives as opposed to only implementing such initiatives. It also reviews the ethics policy on an annual basis. The social and sustainability committee has oversight on matters pertaining to transformation, stakeholder management, sustainability, citizenship and the environment. In terms of risk management Organisation X follows a three level of defense model in which risk, compliance and audit play a role. The board provides oversight to the three levels of defence. Organisation X's oversight measures appear to be efficient because its processes permit more than one level of oversight.

4.3.2.4 Theoretical Themes Analysis – Reporting

4.3.2.4.1 Integrated reports (2018 – 2022)

The reporting processes hold Organisation X accountable in terms of how its operations impact society, the environment and the economy. Further, such reports position the performance of Organisation X to external stakeholders. As a company that is listed on the Johannesburg Stock Exchange, Organisation X is required to provide annual integrated reports. Banks use this process as a platform to disclose information to their investors and stakeholders. What is notable is that ESG (Environmental, Social and Governance) reporting only began after 2018. Even so, the detail contained in Organisation X's integrated reports expanded over the years (2018 – 2022). This fact implies that over time it became important to disclose the organisation's performance beyond the financial scope.

4.3.3 Findings for Research Question 2

Research Question 2: Is the enforcement of ethical culture contingent on a specific board composition?

4.3.3.1 Theoretical Themes Analysis – Board Diversity

4.3.3.1.1 Integrated reports (2018 – 2022)

The diversification of the board differs for each organisation because there is no set standard covering the various aspects of board diversity. Organisation X's board diversity focus is in relation to gender, race, skills, culture and board independence. In South Africa race and gender targets are ascribed by regulations depending on the industry in question. These regulations represent an attempt to rectify past imbalances resulting from South Africa's apartheid history. In terms of both gender and race, Organisation X reports that it sets itself targets to meet the regulatory requirements. It was noted from the reviewed integrated reports that non-white directors have been the majority through the five years of observation (2018 – 2022). With regard to gender diversity, female directors have been the minority in all the years under study, although by a small percentage, compared to the total number of male directors. This situation could be an indication that there is more skill amongst males that fit the requirements of Organisation X. This practice also challenges the notion that boards are more ethical when the majority of directors are female. In terms of culture, the objective of Organisation X is to appoint directors of various geographies. They come from different parts of South Africa and other parts of the African continent. Part of Organisation X's strategy is to entrench itself within the African continent. This approach could explain why it is vital to include non-South African citizens on the board because they are able to bring a different perspective. In terms of skills, Organisation X hires a significant number of directors with skills various skills.

4.3.3.2 Theoretical Themes Analysis – Experience

4.3.3.2.1 Integrated reports (2018 – 2022)

In relation to directors' experience, Organisation X looks at factors such as education, qualifications and age. In terms of education and qualifications the directors each hold differing levels of university degrees. The most common qualification amongst the board members seems to be a Bachelor of Commerce degree. Another important factor that Organisation X began to take into account after the year 2019 is age. The majority of directors appointed after 2019 have been 60 years and older. This practice could indicate that Organisation X assumes that older individuals are more knowledgeable and experienced.

4.4 Conclusion

There seems to be significant alignment between the evidence provided in the integrated reports and that obtained from the interviews. The participants confirmed that the ethics code captures the conduct expected of them. They are educated on acceptable conduct on an ongoing basis through ethics training. Ethical conduct is necessary for the sustainability of the business, thus, the board is responsible for ensuring the ethical performance of all stakeholders.

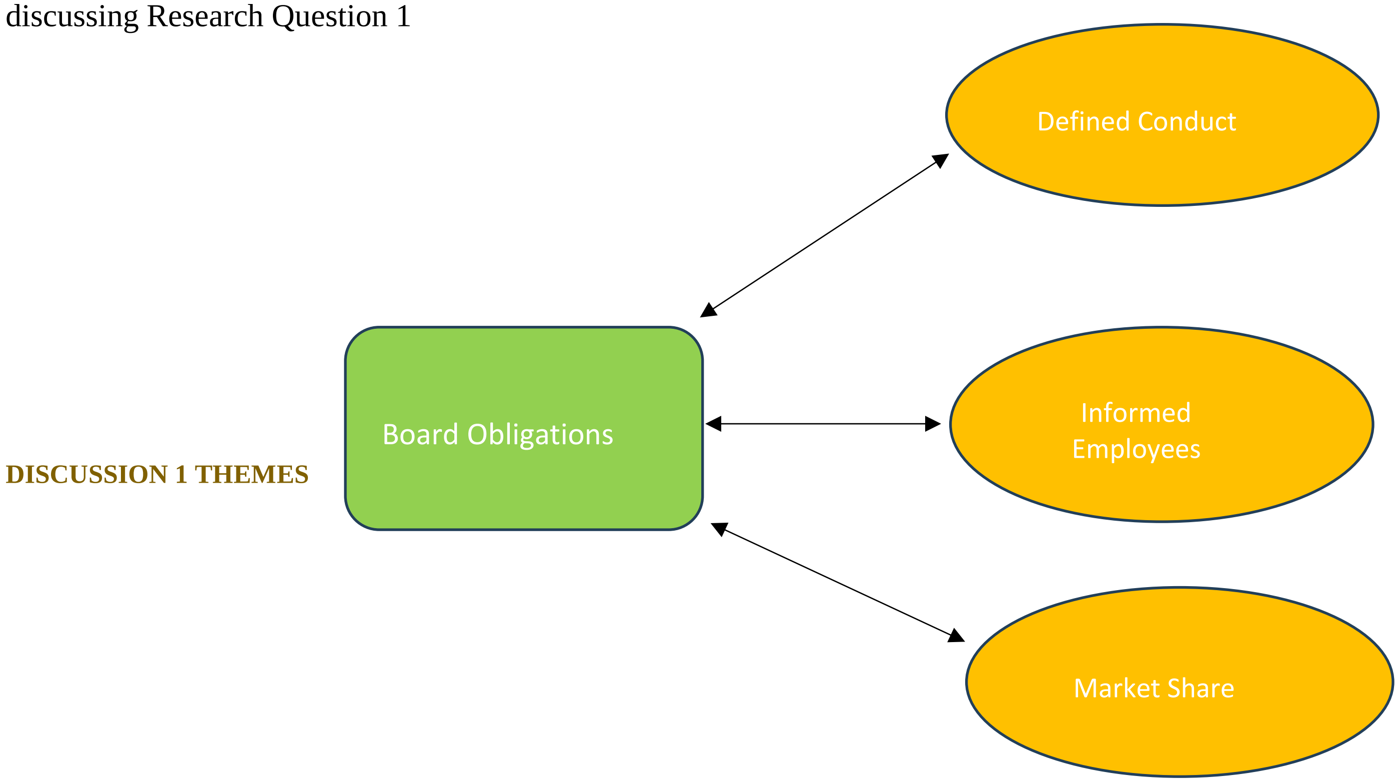
Chapter 5: Discussion of Findings and Results

5. Discussion of Findings and Results

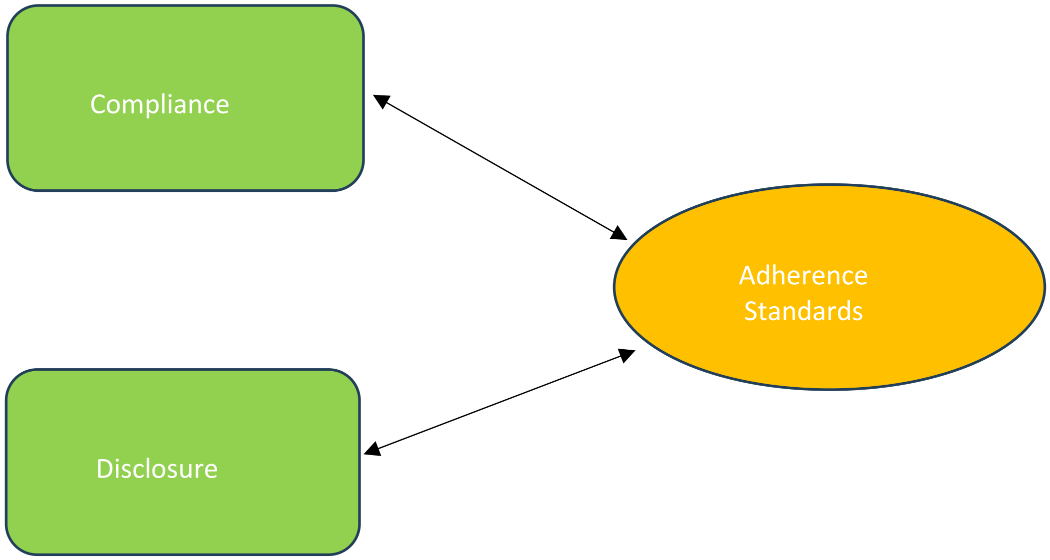
5.1 Introduction

This chapter reviews and discusses the key insights obtained from the results and findings that emanated from Chapter 4. The key findings are discussed in light of the outcome of the literature reviewed in Chapter 2, as well as the research questions that have been established. This process will shed light in terms of the differences and similarities between the findings and results obtained from the data collected and the reviewed literature. The contrasting process will help to highlight any newly discovered insights. Chapter 5 is divided into two sections in accordance with the two research questions. Figure 2 below is an illustration of how the themes are going to be contrasted.

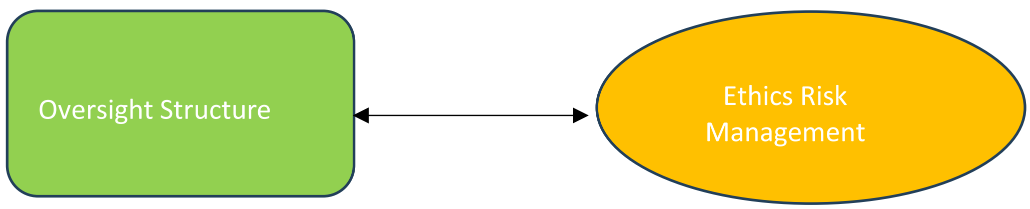
Fig. 2: A visual illustration of how the theoretical themes will be linked for purposes of discussing Research Question 1



DISCUSSION 2 THEMES



DISCUSSION 3 THEMES



Source: Developed by Researcher

Represents Corporate Governance themes   Represents Ethical Culture themes

5.2 Discussion of Research Question 1

As explained above, the theoretical themes that are to be contrasted against each other in terms of research question one were chosen on the basis of relevance when reviewing the contextual meaning of the codes under corporate governance in relation to codes under ethical culture. Therefore, the themes for research question one have been aggregated as follows: Discussion 1 Themes, Discussion 2 Themes and Discussion 3 Themes. At the end of each discussion category, it will be determined if there is a relationship between corporate governance and ethical culture along with the supporting reasons for this view.

5.2.1 Discussion 1 Themes

5.2.1.1 Discussion of Board Obligations

The theme board obligations includes performance relating to ethics that is a non-financial aspect of the business. In support of this view, the integrated report explains that Organisation X's view of performance is not restricted to financial performance but extends to the environmental and societal impact of all its business operations. It is interesting to note that the section that deals with the board being responsible for the overall performance of Organisation X is presented under the ethics section of the report. This fact implies that Organisation X requires that performance should be driven by the board through ethical conduct. It further hints at an underlying message – namely that the board is required to set the tone for conduct. Zaman et al. (2020) posited that corporate social responsibility practices contribute to the effectiveness of corporate governance because they improve relations with all stakeholders. Organisation X's board is required to oversee the policy that manages the institution's relations with stakeholders beyond its investors. The stakeholders' feedback is considered in terms of the company's strategy. By placing stakeholder relations under the board's oversight obligation, this suggests that there is a particular position that the institution takes in which the board must be mindful of when conducting evaluations and making decisions. Further, the board is the highest ranking body in an organization. It is plausible that stakeholder relationships are considered to be central to Organisation X. This means that the application of the Agency Theory is in line with the current views of corporate governance. Thus, the board does not solely concern itself with the interests of the institution's investors as its relations with other stakeholders matter as well. Onesti and Palumbo (2023) support the view shared by Zaman et al. (2020) that sustainability considerations improve corporate governance. The benefit of adhering to social responsibility is that it can lead to reduced risk and the attraction of new investors (Onesti & Palumbo, 2023).

Further, the study's findings show that the board's corporate governance obligations pertaining to overall performance relate to overseeing, monitoring and approving. This implies that inasmuch as there may be layers of delegation in the institution, the board is not entirely discharged of its responsibilities. The organisation's performance must be measured in line with the strategy set out by the board. This is why the board is best positioned to monitor the organisation's overall performance.

5.2.1.2 Discussion on Informed Employees and Defined Conduct

In terms of keeping employees informed and educated regarding the conduct that Organisation X expects of them, the findings from the reviewed integrated reports (2018 – 2020) indicated that frequent communication and ethical training. Tutino and Merlo (2019) state that an environment that enforces education and recognition of ethics is key in mitigating misconduct. Specifically in relation to codes, Stober et al. (2019) shared that codes provide direction and clarity in terms of the organisation's expectations are. Sober et al., 2019, emphasised the importance of ensuring there is training on the codes so that the written rules can be experienced practically. Rossouw (2020) supports the notion that ethical norms should be captured in a code of ethics but added that the existence of such a code was insufficient to lead to ethical behaviour and culture throughout the organisation (Rossouw, 2020). The code was part of a larger ethics programme that entailed ethics risk evaluations, compensation systems and training on ethics (Rossouw, 2020). The shortfall on the part of Organisation X was that the impact of the email communication was questionable mainly because, according to some of the participants, such email messages are interspersed with other work-related emails. This indicates that Organisation X can do more in terms of gaining impact on communication relating to ethics. Efforts would require that employees are removed from their work stations in order to minimise distractions and gain greater impact through interactive exercises. In relation to training, the findings from the interviews confirmed that ethics training was compulsory and ongoing. Organisation X takes the training of staff seriously – one participant expressed that performance appraisals may be impacted if staff do not complete the training. It appeared that although there are various methods through which Organisation X tries to create ethics awareness, a significant majority of the participants were either not aware or they could not recall such initiatives. The conclusion drawn in this regard is that Organisation X should improve its current approaches when attempting to promote ethics awareness because some of the existing methods are currently unnoticed by employees.

The results and findings pertaining to Defined Conduct revealed that the banking institution mainly relies on its organisational values to drive the required behaviour in the organization. The values exercised by Organisation X related to trust, respect, transparency, accountability, empathy and fairness. Rossouw (2020) quoted the King IV rules which state that corporate ethics are embodied in the following values: answerability, fairness, integrity and responsibility. In conclusion, the values that are prioritised by Organisation X for purposes of an ethical culture seem to go beyond those recommended in reviewed literature. It seems empathy, trust and respect are values that are perceived to also drive an ethical culture in Organisation X. The limitation with the results was that some of the values shared by the participants were from scenarios that they observed and not necessarily what Organisation X expressly stated that it stands for.

5.2.1.3 Discussion on Market Share

In its integrated annual reports, Organisation X expressed that in order to sustain its value and mitigate value erosion it creates value for its stakeholders. The study findings illustrate that Organisation X links the creation of value to ethical conduct. An insight gained from the result is that it is plausible that the creation of stakeholder value is the reason why the board is given the function of having oversight on stakeholder relations. If the institution can create value for its various stakeholders, it can attract more customers and investors. Further, the results and findings revealed that brand management is used to uphold the reputation of Organisation X because it wishes to be seen as a trustworthy bank. The findings from the interviews indicated that Organisation X's reputation is the foundation of its brand and that its reputation drives share value and credibility. Additionally, it was revealed through the findings that branding also relates to customer experience because customers will share their encounters with others and thereby impact how Organisation X is viewed as well as its growth into further markets. This links into the board obligation to oversee stakeholder relations and gives more insight on why stakeholder relations are considered as valuable to Organisation X. The insight reveals that stakeholder management matters as it impacts how the institution is perceived. This is why the highest level of authority is vested with the responsibility of overseeing relationships with stakeholders. A good reputation positions the institution for expansion.In relation to trust, the interview findings disclosed that once trust is broken it can take a long time to rebuild which is why Organisation X focuses on the attainment of ethical conduct. If a firm is involved in several scandals it can lead to reduced trust levels between the organisation and its stakeholders (Velte, 2021). This situation might further result in the organisation incurring high levels of financial challenges and becoming bankrupt (Velte, 2021). Depending on the extent of the economic impact, this situation might overspill to other industries and have a negative impact on factors such as the level of unemployment and poverty as well as share price (Cole et al., 2021). Recovering from the event would prove to be a great challenge because the reputational damage has resulted in a deteriorated state of trust (Cole et al., 2021). It is notable that the value of trust emanated several times in the results, thereby indicating that it is key to the institution. This could indicate that it is dominant value in the institution.

5.2.1.4 Research Question 1 Linked to Discussion 1 Themes (Board Obligations, Defined Conduct, Informed Employees and Market Share)

Research Question 1

What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

The reviewed literature takes the position that effective corporate governance leads to reduced corporate misconduct. In this way the organisation becomes reputable and attractive to investors. This situation, therefore, improves the organisation's overall performance. As takers of deposits, banking institutions want to be seen as trustworthy by stakeholders. Corporate misconduct leads to reduced levels of trust. The long term sustainability of the bank becomes challenged. This is the reason why certain organisations insist on an ethics code in order to exert an ethical culture within their organisations. The reviewed literature has illustrated that the ethics code should form part of a larger ethics programme. The data collected from both participants and the reviewed literature have shown that there are certain corporate governance obligations that specifically apply to the board, such as monitoring, risk management and the overall organisational performance. The findings from Organisation X’s integrated reports (2018 – 2022) established that the board’s overall performance extends to ethics performance. Thus, ethics should be measured and the accountability for its performance should lie with the board. Therefore, this requirement makes ethics performance a function of corporate governance. The board has to be seen to be committed to effective corporate governance and this is why the functions of Organisation X’s board are placed under the ethics section.

5.2.2. Discussion 2 Themes

5.2.2.1 Discussion on Compliance

Organisation X’s integrated reports for 2018 – 2022 disclosed that it adheres to various regulations, rules, guidelines, frameworks, policies and charters in its operations (“Rules and Regulations”). These emanate from both an international and local level. These rules and regulations guide the board’s decisions, actions and reporting processes and limit the abuse of power and manage conflicts of duty. The banking industry is one that is highly regulated as lawmakers try to protect the stability of the economy and interests of consumers. Adherence to rules strengthens the reputation of institutions and improves customer confidence. It gives the institution a level of credibility of ethical conduct more especially because it is a deposit taker. Organisation X’s integrated reports indicated that over the years the corporate governance policies have expanded, thus, denoting that there has been some level of evolution in terms of its corporate governance perspectives. At a global level in particular stakeholders have imposed increasing pressures on businesses to manage the risks related to sustainability in their daily operations (Kana, 2020). The insight gained from reviewing the integrated reports is that ethics and sustainability have become crucial to Organisation X because it has in recent years introduced an ethics policy and a stakeholder engagement policy. However, Kana (2020) concludes that regulations have not been successful in deterring corporate governance scandals and argues that it is ethical leadership that makes corporate governance effective and not the rules. This paper agrees to a certain extent with Kana (2020) that ethical leadership is a crucial component for driving effective corporate governance. However, corporate governance requires rules that direct the practice of ethical leadership because if such behaviour is not defined in these rules, it leaves too much freedom of interpretation and what might appear as ethical conduct to one board member might not appear so to another.

5.2.2.2 Discussion on Reporting

Organisation X's reporting occurs at both an internal and external level. Internally, the board delegates responsibilities to board committees as well as to the executive committee. Externally, it reports to the JSE and stakeholders through its integrated annual reports. Organisation X uses these reports as a platform for disclosing information to its investors and other stakeholders. While the ESG reporting only began after the year 2018, it was noted that the level of the ESG detail seemed to expand in each consecutive integrated report. This fact implies that over time it became important to disclose Organisation X's performance beyond its financial scope. The more stakeholders are able to see how an organisation incorporates sustainability in corporate governance, the stronger the relationship will be with the organization (Onesti & Palumbo, 2023). At a global level, there seems to be an interest in how institutions are supporting ESG principles. As discussed, corporate governance has evolved to such a point that it is concerned with the interests of a broader range of stakeholders than just investors. How an organization is seen in terms of its commitment to ESG has an impact on how it is perceived. This could potentially improve brand positioning and enhance loyalty from stakeholders, which is seemingly what Organisation X is concerned about. However, van Vuuren (2020) cautions that found that although companies declare that they are compliant, corporate governance failures continue to occur nonetheless. For van Vuuren this implies that reporting might be treated as a 'tick-box' exercise and, thus, are ineffective in preventing corporate governance failures. This finding indicates that the reporting aspect of corporate governance is not sufficiently stringent because the report might not be a truthful disclosure of what is really happening in the organisation.

5.2.2.3 Discussion on Adherence Standards

Findings from Organisation X's reviewed integrated annual reports revealed that its processes are set up in such a way that its employees are enabled to adhere to laws, regulations and policies. Further, Organisation X has reported that it has an ethical code that captures its values and the conduct expected from its board members, directors, employees, suppliers and clients. The findings further disclosed that ethical conduct was covered under various policies beyond the ethics policy. It can be deduced from this evidence that Organisation X has a strong intention to entrench ethics in the conduct of its members as opposed to treating its adherence to the ethics policy as a tick-box exercise since the implementation of ethics policies by companies are recommended by the King reports. Stober et al. (2019) explained that the impact of an ethics code within an organisation has previously provided mixed results, creating uncertainties as to whether the existence of an ethics code can reduce unethical conduct. In addition, the interview findings revealed that ethical conduct is taken into account when remuneration of employees is determined. Once more, this finding demonstrates Organisation X's determination to ensure its employees conduct themselves ethically thereby leading to the establishment of an ethical culture. This point also confirms Lima and Galleli's (2021) view that the remuneration system could be used to drive the right conduct within the organisation (i.e., ethical conduct) mainly because employee conduct is the responsibility of human resources management.

5.2.2.4 Research Question 1 Linked to Discussion 2 Themes (Compliance, Reporting and Adherence Standards)

Research Question 1

What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

Corporate governance rules are there to guide organisations' decisions and actions. The reviewed literature discloses that in recent years there have been advancements in terms of regulations that are aimed at reducing corporate misconduct. Further effort was made to try to make organisations accountable through transparency because the JSE requires them to provide reporting in line with the 17 principles, to which Organisation X has confirmed its adherence. This confirmation creates transparency and further serves the purpose of informing investors how to place their investments effectively. However, as stated previously, researchers have shown that corporate governance failures have still occurred. A number of researchers opine that ethical leadership should be prioritised over rules in order to achieve effective corporate governance. The position of this paper, as indicated in section 5.2.2.1 above, is that ethical leadership is a crucial component for driving effective corporate governance. However, corporate governance requires rules that direct the practice of ethical leadership because, if such behaviour is not defined in these rules, it leaves too much freedom of interpretation and what might appear as ethical conduct to one board member might not appear so to another. The lack of rules will likely compromise the effectiveness of corporate governance that may become visible to stakeholders through its external reporting mechanisms. This paper posits that there is an interdependent relationship between the rules and ethical conduct when it comes to effective governance.

5.2.3. Discussion 3 Themes

5.2.3.1 Discussion on Oversight Structures

The board of Organisation X is supported by its own committees. These board committees assist the board with monitoring and advisory functions as per delegated subject matter. There is at least one board member who sits in each board committee and provides feedback to the board. This practice suggests that the director, who is a board member, has knowledge of the discussions that take place in the board committee to ensure that these committees do not lose sight of the board's objectives regarding the matters being debated. Organisation X's board of directors is largely composed of independent directors, thus, it is mainly independent directors who sit on the board committees. Research conducted by Lee (2020) found that organisations generally prefer to place independent directors on the board committees because they are expected to drive independent decision-making processes on these committees in order to enhance their monitoring and advisory functions. Lee (2020) cautions that organisations should be careful not to overly stretch independent directors and, thus, adversely impact their efficiency in terms of monitoring and advisory. The data collected for this study illustrates that Organisation X's board comprises a significant number of independent directors. This grants the organisation an advantage in that it does not need to place one independent director in multiple board committees. This means that

Organisation X's directors should still be able to perform their monitoring and advisory functions optimally.

5.2.3.2 Discussion on Ethics Risk Management

The collected data disclosed that Organisation X has ethics mechanisms in place in terms of risk governance, oversight structures, reporting channels and consequences for misconduct. Further, there is also an overarching risk management framework and a specific framework that governs the conduct of the board of directors and other employees. Organisation X has various platforms for reporting misconduct. Risk management plays an important role in creating financial stability especially for an institution that is in the business of taking deposits amongst other assets. Asserting ethical conduct could facilitate adherence to the institution's risk management standards. If the financial institution does not execute it well, it may have trickling effects into other parts of the economy as most individuals and organisations utilize the services of banks. This may have crippling effects on the country's economy as a whole. This is why it is important that Organisation X takes action in terms of risk management.

It is the opinion of Cole et al. (2021) that the amount of time it takes to discover and enforce misconduct matters when organizational members are considering committing misconduct matters. The researchers added that the likelihood and extent of the misconduct was also dependent upon mechanisms that are within and outside the organisation. When relating these statements to Organisation X there is a strong chance of misconduct being discovered timeously and the culprits being dismissed because many participants stated that they had witnessed dismissals within their respective departments.

5.2.3.3 Research Question 1 Linked to Discussion 3 Themes (Ethics Risk Management and Oversight Structures)

Research Question 1

What is the nexus between corporate governance and ethical culture in a banking institution in South Africa?

As stated above, the purpose of board committees is to assist the board by taking a monitoring and advisory role. A board member is generally appointed to each of these committees. The reviewed literature confirms that when independent directors sit on board committees their independence filters down to level of the board committees. The said literature adds that having a strong independent and diverse board helps to elevate an organisation's internal mechanisms to reduce misconduct. In support of this point, the position of this paper is that a strong board will ensure that the right committees are in place to play their monitoring and advisory role and, thus, assist the board to make the appropriate decisions regarding the organisation's ethical culture. This commitment to ethical culture at senior levels will help to reduce corporate misconduct within organisations. With regard to the banking industry, some of the committees required to drive ethical culture and effective corporate governance are the audit committee, ethics committee, the compensation committee and the social and sustainability committee.

5.3 Discussion Research Question 2

As previously explained, theoretical themes were established from the codes provided in Annexure C. The findings and results from the data collected will be compared to those from the reviewed literature. This exercise will help identify new insights that will enable the researcher to draw conclusion as to whether the composition of the board plays a role in driving ethical culture.

5.3.1. Discussion on Board Diversity

The diversification of boards differs amongst organisations because there is no governance that enforces the exact composition for each component contributing to a diverse board. The findings pertaining to Organisation X disclosed that there is diversity amongst board members but that its focus is mainly on gender, race, skills, culture and board independence. The data collected from the organisation's integrated reports (2018 – 2022) disclosed that during this period the majority of board directors were non-White. In South Africa race and gender targets are ascribed by regulation in an attempt to rectify the imbalances resulting from South Africa's apartheid history. It, therefore, is not clear whether race was an important diversity criterion when appointing board members. Organisation X’s board of directors has a mix of skills while, in relation to gender diversity, female directors were in the minority during the period 2018 to 2022, although by a smaller percentage relative to male directors. Da Silveira (2021) explains that in terms of the systematic literature review that he conducted female directors are very likely to take ethical considerations into account when making decisions. However, how great should the ratio of female directors to male directors be? In terms of ethical culture, collected data disclosed that Organisation X’s board of directors are appointed from various areas within South Africa and other parts of the African continent. To substantiate this preference, Organisation X has made it clear that it appoints directors who can convey their individual opinions and challenge each other’s views, whilst trying to achieve the same objective. The findings of current research pose a challenge in that there does not appear to be any studies guiding the relevance of the geographical background of directors in terms of its effect on ethical culture. During the years under study, Organisation X has consistently appointed and maintained a significant number of independent directors. This fact suggests that it values and expects objective perspectives from its board members. Other the results obtained by Beasley (1996) as cited in da Silveira (2021), were that organisations that had low fraud statistics employed a high number of independent directors whilst the organisations with a high level of fraud had fewer independent directors in the board.

5.3.1.1 Research Question 2 Linked to Board Diversity Theme

Research Question 2

Is the enforcement of ethical culture contingent on a specific board composition?

The study findings indicate that Organisation X attributes board diversity as an enabling factor for frank discussions, debates and thoughtful results. It links this diversity to the board’s overall independent conduct and adherence to ethics. Therefore, this paper concludes that board composition needs to be as diverse as possible. The focus should shift away from placing reliance on a particular aspect of board composition in an attempt to drive an ethical culture. It is the interplay of various aspects of the board composition that leads to a diverse board that adheres to ethical requirements. This fact could be a plausible explanation for the reason why previous researchers have presented mixed results on this particular issue.

5.3.2 Discussion on Directors' Experience

The collected data disclosed that Organisation X takes experience into account when appointing its directors. It is concerned with factors such as education, qualification and age. The most common qualification amongst the board members seems to be a Bachelor of Commerce degree. De Villiers and Dimes (2020) found that there is a certain level of financial expertise amongst board members that contributes towards the quality of internal controls within an organisation. Another important factor that Organisation X seems to take into account is age – this practice began after 2019 when the majority of directors subsequently appointed have been aged 60 and above. This practice could indicate that Organisation X views a specific age group as being advantageous to the board. The research findings by Birkinshaw et al. (2019) as cited in da Silveira (2021) revealed that the older managers conducted themselves in a manner that was closely aligned to an ethical culture. It was found that they were more aware of their impact on others. There were several instances in literature identified by da Silveira (2021) that provided empirical evidence that there is a positive relationship between older board directors and an ethical culture.

5.3.2.1 Research Question 2 Linked to Director' Experience Theme

Research Question 2

Is the enforcement of ethical culture contingent on a specific board composition?In terms of the qualifications held by members of the board of directors the reviewed literature seems to support the idea that board members should have a certain level of financial expertise. This financial skill can elevate an organisation's internal controls and lead to effective corporate governance. A significant number of Organisation X's directors have a commerce related qualification. It, therefore, can be assumed that this requirement is enforced because of the need to uphold good corporate governance through elevated internal controls. However, the reviewed literature has not provided any evidence linking financial expertise to ethical culture. With regard to the appointment of older directors, the results of literature review illustrate a positive link between age and ethical culture. Therefore, Organisation X’s choice to appoint older directors can be linked to ethical culture since there is no contradictory evidence.

Chapter 6: Conclusion

6. Conclusion

6.1 Introduction

Chapter 6 provides the conclusions reached in relation to the two research questions. In addition, this chapter discusses the contributions of this study, discloses its limitations and makes recommendations for future research.

6.2. Research Question 1 Themes

6.2.1. Conclusion in terms of the Relationship between Ethical Culture and Corporate Governance

(Themes: Board Obligations, Market Share, Defined Conduct and Informed Employees)

The findings of the participants' interviews, together with the reviewed literature, have shown that there are certain corporate governance obligations that are specifically the board's responsibility, such as monitoring, risk management and the overall organisational performance. The findings from the study of Organisation X established that the board's overall performance extends to ethical performance. Thus, the measuring of ethical practices, as well as the accountability for its performance, should lie with the board. Therefore, this research study found that the promoting and monitoring of ethical performance is a function of corporate governance.

6.2.2. Conclusion on the Relationship between Ethical Culture and Corporate Governance

(Themes: Reporting, Compliance and Adherence Standards)

Ethical leadership is a crucial component for driving effective corporate governance. However, corporate governance requires rules that guide the application of ethical leadership. Organisational members should be educated and informed about each corporate governance policy so that they know how to apply themselves both inside the workplace and beyond. This research study found that if ethical conduct is not defined by rules, it opens the opportunity for diverse interpretations because what might appear as ethical conduct to one board member or employee might not appear so to others. The rules provide a standard that organisational members must comply with and the lack thereof will likely compromise the effectiveness of corporate governance that may become visible to stakeholders through the organisation's external reporting mechanisms.

6.2.3. Conclusion on the Relationship between Ethical Culture and Corporate Governance

(Themes: Oversight Structures and Ethics Risk Management)

It has been established that when independent directors sit in board committees their independence filters down to the board committees' level. This is the reason why Organisation X's board comprises a majority of independent directors. The members of Organisation X's board are spread across the board committees according to their area of expertise. A strongly independent and diverse board is necessary to elevate Organisation X's internal mechanisms in order to reduce misconduct. As such, the research found that a strong board will ensure that the right committees are in place to play their monitoring and advisory role in order for the board to make the right decisions with regard to ethical culture.

6.3. Research Question 2 Themes

6.3.1. Conclusion on the specific Board Composition that enforces Ethical Culture

(Theme: Board Diversity)

It is noting that Organisation X attributes its board diversity as being one of the main reasons for frank discussions, debates and thoughtful results. It links board diversity to the board's overall independent conduct and adherence to ethics. This practice means that racial diversity, skills, gender diversity, diverse geographies and board independence can lead to the implementation and maintenance of ethical culture. The focus should shift away from placing reliance on a particular aspect of board composition in an attempt to drive ethical culture. The research findings indicate that it is an interplay of various aspects of the board composition that leads to a diverse board that adheres to ethical requirements. This result could be a plausible explanation as to why the review of previous research presented mixed results in relation to this particular aspect.

6.3.2. Conclusion on the specific Board Composition that enforces Ethical Culture

(Theme: Board Experience)

The majority of Organisation X’s board of directors have a commerce-related qualification. Financial expertise amongst board members elevates internal corporate governance controls. However, there is no evidence linking this expertise to ethical culture. With regard to the age of board members, it was concluded that directors older than 60 years were more inclined to be ethical.

6.4 Contributions of the Research

The researcher found that there have not been many studies that research the nexus between ethical culture and corporate governance. Most studies have investigated the outcome of the enforcement of ethical culture in organisations. This study, therefore, contributes to clarifying how corporate governance and ethical culture interact with each other when applied in organisations. For the banking industry, the findings of this study are important because the failure of banking institutions can have a severe impact on the national and international economy, especially in cases where banks are classified as systematically important financial institutions.

6.5 Limitations of the Research

The main limitation of this research study is that it was conducted at a single bank based in South Africa. The results, therefore, do not represent the views of all South African banks. The members of Organisation X’s board were not interviewed although their views were included through the review of its integrated reports for the years 2018 to 2022. The paper also does not measure ethical culture although it has tested Organisation X’s commitment to ethical culture through the experiences and perceptions of the participants.

6.6 Recommendations for Further Research

The findings of the research illustrated that there are some areas pertaining to ethical culture and corporate governance that require further exploration:

1. The research illustrated that there is a positive relationship between corporate governance and ethical culture. When looking into HRM, it concerns itself with the behaviour of organisational members. Researchers made the case that the link between HRM and corporate governance should be investigated because there may be benefits in merging these two aspects (Lima & Galleli, 2021). However, this research would like to suggest that future research should explore if there is a relationship between ethical culture and HRM that could lead to more effective corporate governance. This suggestion is made due to the fact that both HRM and ethical culture have a mutual component that has to do with conduct.

2. This research explained that in South Africa race and gender targets are ascribed by regulation in an attempt to rectify the past imbalances resulting from South Africa's apartheid history. The findings disclosed that female directors are slightly lower in numbers than the male directors at Organisation X. Previous reviewed research has stated that there more women directors should be added to boards because this practice will improve the organisation's ethical culture (Baselga-Pascual et al., 2014, as cited in da Silveira, 2021). However, how much ratio of female directors to male directors suffices? This is what future research needs to investigate.

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ANNEXURE A – Research Problem

Author (Year)	**Organisational Problem**	**Research Problem**	**Conceptual Frame Used**	**Population & Sample**	**Research Gap**
Miceli da Silveira (2021)	A poor ethical culture leads to ineffective corporate governance	Is there a link between board composition and ethical culture?		50 000 employee reviews	There has not been many studies linking corporate governance mechanisms to ethical culture to investigate a relation

ANNEXURE B

Literature Review

Author (year)	**Methods**	**Arguments**	**Who do they agree**	**Who do they disagree with**
Cole et. al (2019	Literature review	The need to review the cause and consequences of the various types of corporate misconducts.		
Rossouw (2020)	Literature review	The evolution of ethics through the King Codes.	Stober et. al. (2019); Tutino & Merlo (2019); Kana (2020)	
Stober et. al. (2019)	Literature review	The design of the code only brings about ethical intent and not transformation.		
Tutino & Merlo (2019)	Literature review	Ethics can mitigate against misconduct. The tone at the top also matters.		
Palumbo & Onesti (2023)	Literature review	Tone of top management has an impact on misconduct.	Marco Tutino &	

			Merlo (2019); Rossouw (2020); da Silveira (2021)	
MJ Tladi (2021)	Models	There has to be tremendous commitment from leadership in order for an ethical culture to be created.	Da Silveira (2021); de Villiers and Dimes (2020); Rossouw (2020)	
da Silveira (2021)	Culture and Ethics	Certain board characteristics, such as more female board members can improve ethics in organistations.	Marco and Tutino	
De Villiers (2021	Model	Effective corporate governance is not only assessed through financial results but also through ethics and solid control measures.		
Zaman et. al (2020)	Models	Corporate governance has evolved to include corporate social responsibility.		

Eltweri & Calvaliere (2020)*	Questionnaire	The remuneration package of senior executives should has the potential to reduce misconduct		
Lima L. (2020)	Systematic Literature review	HRM policies should be used to regulate executives	Etwereni & Calvaliere (2020)	
Velte (2021)	Systematic Literature review	Reviews the impact of corporate governance on financial misconduct	Muzata (2020)	
Van Vuuren (2020)	Review of Governance Reports	Can the disclosure by companies be relied on as sufficiently disclosing the state of corporate governance in a company		
Muzata (2020)	Value Risk Procedures of JSE listed companies	The detection of red flags in organisations should be made much earlier by those working in the gatekeeping roles.		
Lee (2020)	Valuation Method of BoardEx	Board performance depends on the tasks assigned		
Kana (2020)	Review of all the King Reports	Corporate culture should be governed through ethical leadership		

ANNEXURE C

Ethical Culture Data Collection 2018

Codes (5)	**Categories (15)**	**Themes (5)**
Exhibited daily behaviours		
Good conduct		
Organisational Values Drive Conduct		
Ethical business conduct		
Ethical behaviour		
Expected behaviour	Acceptable Conduct	
Treating customers fairly		
Doing things the right way		
Culture of Ethics		
Compliant		
Protection of Data		
Exemplary Behaviour		
Dishonesty		**Defined Conduct**
Conflict of Interest		
Corruption		
Misconduct		
Fraud		
Money laundering	Unacceptable Conduct	
Terrorist Financing		
Inappropriate behaviour		
Integrity		
Fairness		
Trust	Underlying Values to Conduct	
Discrimination free		
Responsible		

Regulations Regulators Law	External Governance	Adherence Standards
Ethical code Conflict of Interest Fraud Risk Policy Conduct Risk Framework	Internal Governance	
Conduct training Values Training Awareness programmes	Educate Employees	Informed Employees
Conduct is defined Engagement Openness Effective communication	Flow of Information	
Risk Framework Risk appetite Conduct risk framework Risk mitigation strategies	Risk Governance	Ethics Risk Management
Lay Complaint Whistleblowing processes Anonymous reporting	Reporting Mechanisms	
Disciplinary action Dismissal Penalties and fines	Consequences	
Ethics Committee	Oversight	
Value creation Deterring value erosion Business sustainability	Organisational Value	Market Share Importance
Corporate Social Responsibility Supplier management Employee centricity Customer centricity	Stakeholder Management	
Brand management Reputation Trusted financial services provider	Market Positioning	

Ethical Culture Data Collection 2019

Codes (54)	Categories (14)	Themes (5)
Values based decisions		
Treating Customers Fairly		
Protection of Data		
Conduct driven by Organisational Values		
Adherent		
Recognise Human Rights		
Principled conduct	Acceptable Conduct	
Right decisions		
Good conduct		
Ethical behavior		
Expected conduct		
Transparent		
Strong ethical culture		
Misconduct		
Conflict of Interest		
Corruption		
Breaches		**Defined Conduct**
Money Laundering	Unacceptable Conduct	
Terrorist Financing		
Fraud		
Unethical conduct		
Discrimination free		
Fairness	Underlying Values to Conduct	
Trust		
Integrity		
Responsible		

Legislation Regulations Regulators	External Governance	**Adherence Standards**
Ethical code Conflict of Interest Fraud Risk Policy Conduct Risk Framework	Internal Governance	
Awareness programmes Ethics Training	Educate Employees	**Informed Employees**
Engaging Open dialogue	Flow of information	
Risk Framework Risk Appetite Conduct Risk Framework Risk Mitigation Strategies	Risk Governance	**Ethics Risk Management**
Lay Complaint Whistleblowing Anonymous Reporting	Reporting Mechanisms	
Disciplinary action Penalties and Fines Dismissal	Consequences	
Ethics Performance Head of Ethics	Oversight	
Value Creation Reduction of Value Erosion	Organisational Value	**Market Share**
Corporate Social Responsibility Supplier management Employee centricity Customer centricity	Stakeholder Management	
Reputation Brand Management Trusted bank Market integrity	Market Positioning	

Ethical Culture Data Collection 2020

Codes (55)	Categories (13)	Themes (5)
Adherent Ethical conduct Protection of Data Treating Customers Fairly Human rights principles Conduct led by Organisational Values Expected conduct Appropriate conduct Best practices Organisational Practices Exhibited daily behaviors	Acceptable Conduct	Defined Conduct
Unethical Conduct Conflict of Interest Fraud Money laundering Breaches Terrorist Financing Corruption	Unacceptable Conduct	
Trust Discrimination Free Integrity Fairness Responsible	Values Underlying Conduct	
Regulations Laws Regulators	External Governance	Adherence Standards
Ethical code Conflict of Interest Fraud Risk Policy Conduct Risk Framework	Internal Governance	

Ethics Training Awareness campaigns Guided conduct	Education of Employees	**Informed Employees**
Communication Transparency	Flow of Information	
Conduct Risk Framework Risk appetite Risk mitigation strategies	Risk Governance	**Ethics Risk Management**
Raise Complaints Whistleblowing processes Anonymous reporting	Reporting Mechanisms	
Disciplinary action Penalties and Fines Dismissal	Consequences	
Ethics performance measurement Committee on Ethics	Oversight	
Value creation Business sustainability strategies Mitigating Value Erosion	Organisational Value	**Market Share**
Corporate Social Responsibility Supplier management Employee centricity Customer centricity	Stakeholder Management	
Brand management Market Integrity Reputation Trusted bank	Market Positioning	

Ethical Culture Data Collection 2021

Codes (46)	Categories (14)	Themes (5)
Ethical Behaviour		
Human rights principles		
Adherent		
Good behaviour		
Ethical Business Conduct		
Exhibited daily behaviours	Acceptable conduct	
Treating Customers Fairly		
Ethical Culture		
Expected conduct		
Values Driven Organisation		
Protection of Data		
Breaches		**Defined Conduct**
Misconduct		
Conflict of Interest		
Unethical Conduct		
Corruption	Unacceptable conduct	
Money Laundering		
Terrorist Financing		
Responsible		
Respect		
Integrity	Underlying Values driving conduct	
Fairness		
Trust		

Legislation Regulations Regulators	External Governance	Adherence standards
Conflict of Interest Fraud Risk Policy Conduct Risk Framework Ethical Code	Internal Governance	
Ethics Training Awareness Campaigns	Education of Employees	Informed Employees
Constant communication Openess	Flow of information	
Risk Framework Risk Appetite Conduct Risk Framework Risk Mitigation Strategies	Risk Governance	Ethics Risk Management
Lay Complaint Whistleblowing Anonymous Reporting	Reporting Mechanisms	
Disciplinary action Penalties and Fines Dismissal	Consequences	
Ethics Committee Ethics Performance Management	Oversight	
Value protection Business sustainability Mitigating Value Erosion	Organisational Value Management	Market Share
Corporate Social Responsibility Supplier management Employee centricity Customer centricity	Stakeholder management	
Brand management Market Integrity Reputation Trusted bank	Market Positioning	

Ethical Culture Data Collection 2022

Codes (58)	Categories (14)	Themes (5)
Upholding Human Rights Principles		
Ethical behaviour		
Best practices		
Comply		
Culture of Ethics		
Expected behaviours	Acceptable conduct	
Defined Conduct		
Treating Customers Fairly		
Protection of Data		
Values Driven Organisation		
Exhibited daily Behaviours		
Unethical behaviour		Defined Conduct
Breaches		
Conflict of Interest	Unacceptable conduct	
Terrorist Financing		
Corruption		
Money Laundering		
Integrity		
Trust		
Accountable	Underlying Values driving conduct	
Fairness		
Respect		
Legislation		
Regulations	External Governance	
Regulators		Adherence Standards
Conflict of Interest		
Fraud Risk Policy	Internal Governance	
Conduct Risk Framework		
Ethical Code		

Ethics Training Awareness Programmes	Education of Employees	Informed Employees
Frequent communication Openess	Flow of information	
Risk Framework Risk Appetite Conduct Risk Framework Risk Mitigation Strategies	Risk Governance	Ethics Risk Management
Lay Complaint Whistleblowing Anonymous Reporting	Reporting Mechanisms	
Disciplinary action Penalties and Fines Dismissal	Consequences	
Ethics Committee Head of Ethics Ethics Performance Ethics Risk Evalutation	Oversight	
Value protection Business sustainability Mitigating Value Erosion	Organisational Value Management	Market Share
Corporate Social Responsibility Supplier management Employee centricity Customer centricity	Stakeholder management	
Brand management Market Integrity Reputation Trusted bank	Market Positioning	

Corporate Governance Data Collection 2018

Codes (50)	Categories (16)	Themes (6)
King IV		
Companies Act		
SARB Directive	Local Regulations/Rules	
Banks Act		
JSE Listings Requirement		
International Best Practice Standards		
Basel Practices on Governance	International Rules/Guideliness	
International Financial Reporting Standards		
Risk Management Framework		Compliance
Conduct Risk Framework	Risk Management Frameworks	
Sustainability Risk Framework		
Governance Framework		
Stakeholder Engagement Policy		
Sustainability Policy		
Ethics Policy	Policies	
Compensation Policy		
Board Charter Document		
Compliance Charter Document	Charter Documents	
Board Monitors Control Environment		
Board Monitors Execution of Strategy		
Board Approves Strategy	Board Responsibilities	
Board Oversees Stakeholder Policies		Board Obligations
Board Adjusts Risk Appetite		
Board Accounts for Company Performance		
Board Accounts for Ethics Performance	Board Accountability	
Ethics Committee		
Compensation Committee		
Board Committees		
Sustainability Committee	Committees	
Executive Committee		Oversight Structures
Three Lines of Defence		
Internal and External Auditors	Auditors	

International Financial Reporting Standards Regulatory Reporting Regular Reporting by Board Committees Compensation Reporting Environment, Social and Governance Reporting	Tracking and Reporting	**Disclosure**
Significant majority independent directors	Independence	**Board Diversity**
Race statistics African, White Indian and Coloured	Race	
Gender Targets Female Directors Statistics Male Directors Statistics	Gender	
Difference in Cultures Various Countries of Origin	Ethnicity	
Education Skills Highest skill in governance Majority hold Bachelor of Commerce degree	Expertise	**Directors Experience**
Majority are above the age of 60	Age	

Corporate Governance Data Collection 2019

Codes (43)	**Categories (15)**	**Themes (6)**
King IV Companies Act Banks Act JSE Listings Requirement	Local Regulations/Rules	**Compliance**
International Best Practice Standards Basel Practices on Governance International Financial Reporting Standards	International Rules/Guideliness	
Risk Management Framework Conduct Risk Framework Governance Framework	Risk Management Frameworks	
Sustainability Policy Compensation Policy	Policies	
Board Charter Document	Charter Documents	

Board Monitors Control Environment		
Board Monitors Execution of Strategy		
Board Approves Strategy	Board Responsibilities	
Board Oversees Stakeholder Policies		**Board Obligations**
Board Adjusts Risk Appetite		
Board Accounts for Company Performance		
Board Accounts for Ethics Performance	Board Accountability	
Ethics Committee		
Compensation Committee	Committees	
Board Committees		
Executive Committee		**Oversight Structures**
Three Lines of Defence		
Internal and External Auditors	Auditors	
International Financial Reporting Standards		
Regulatory Reporting		
Regular Reporting by Board Committees	Reporting	**Reporting**
Compensation Reporting		
Environment, Social and Governance Reporting		
Significant majority independent directors	Independence	
Race statistics		
African, White Indian and Coloured	Race	
Gender Targets		**Board Diversity**
Female Directors Statistics	Gender	
Male Directors Statistics		
Difference in Cultures		
Various Countries of Origin	Ethnicity	
Education		
Skills		
Highest skill in governance	Expertise	**Directors Experience**
Majority hold Bachelor of Commerce degree		

Corporate Governance Data Collection 2020

Codes (46)	Categories (16)	Themes (6)
King IV Companies Act SARB Directive Banks Act JSE Listings Requirement	Local Regulations/Rules	Compliance
International Best Practice Standards Basel Practices on Governance International Financial Reporting Standards	International Rules/Guideliness	
Risk Management Framework Conduct Risk Framework Governance Framework	Risk Management Frameworks	
Sustainability Policy Ethics Policy Compensation Policy	Policies	
Board Charter Document Compliance Charter Document	Charter Documents	
Board Monitors Control Environment Board Monitors Execution of Strategy Board Approves Strategy Board Oversees Stakeholder Policies Board Adjusts Risk Appetite	Board Responsibilities	Board Obligations
Board Accounts for Company Performance Board Accounts for Ethics Performance	Board Accountability	
Ethics Committee Compensation Committee Board Committees Executive Committee	Committees	Oversight Structures
Three Lines of Defence Internal and External Auditors	Auditors	
International Financial Reporting Standards Regulatory Reporting Regular Reporting by Board Committees Compensation Reporting Environment, Social and Governance Reporting	Reporting	Reporting
Significant majority independent directors	Independence	
Race statistics		

African, White Indian and Coloured	Race	Board Diversity
Gender Targets Female Directors Statistics Male Directors Statistics	Gender	
Difference in Cultures Various Countries of Origin	Ethnicity	

Education Skills Highest skill in governance Majority hold Bachelor of Commerce degree	Expertise	Directors Experience
Majority are above the age of 60	Age	

Corporate Governance Data Collection 2021

Codes (50)	**Categories (16)**	**Themes (6)**
King IV Companies Act SARB Directive Banks Act JSE Listings Requirement	Local Regulations/Rules	Compliance
International Best Practice Standards Basel Practices on Governance International Financial Reporting Standards	International Rules/Guideliness	
Risk Management Framework Conduct Risk Framework Sustainability Risk Framework Governance Framework	Risk Management Frameworks	
Stakeholder Engagement Policy Sustainability Policy Ethics Policy Compensation Policy	Policies	
Board Charter Document Compliance Charter Document	Charter Documents	
Board Monitors Control Environment Board Monitors Execution of Strategy Board Approves Strategy Board Oversees Stakeholder Policies Board Adjusts Risk Appetite	Board Responsibilities	Board Obligations
Board Accounts for Company Performance Board Accounts for Ethics Performance	Board Accountability	

Ethics Committee		
Compensation Committee		
Board Committees		
Sustainability Committee	Committees	
Executive Committee		Oversight Structures
Three Lines of Defence		
Internal and External Auditors	Auditors	
International Financial Reporting Standards		
Regulatory Reporting		
Regular Reporting by Board Committees	Tracking and Reporting	Disclosure
Compensation Reporting		
Environment, Social and Governance Reporting		
Significant majority independent directors	Independence	
Race statistics		
African, White Indian and Coloured	Race	
Gender Targets		Board Diversity
Female Directors Statistics	Gender	
Male Directors Statistics		
Difference in Cultures		
Various Countries of Origin	Ethnicity	
Education		
Skills		
Highest skill in governance	Expertise	
Majority hold Bachelor of Commerce degree		Directors Experience
Majority are above the age of 60	Age	

Corporate Governance Data Collection 2022

Codes (52) **Categories (16)** **Themes (6)**

King IV Companies Act SARB Directive Banks Act JSE Listings Requirement	Local Regulations/Rules	**Compliance**
International Best Practice Standards Basel Practices on Governance International Financial Reporting Standards	International Rules/Guideliness	
Risk Management Framework Conduct Risk Framework Sustainability Risk Framework Governance Framework	Risk Management Frameworks	
Stakeholder Engagement Policy Sustainability Policy Board Conflict of interest Policy Ethics Policy Compensation Policy	Policies	
Board Charter Document Compliance Charter Document	Charter Documents	
Board Monitors Control Environment Board Monitors Execution of Strategy Board Approves Strategy Board Oversees Stakeholder Policies Board Adjusts Risk Appetite	Board Responsibilities	**Board Obligations**
Board Accounts for Company Performance Board Accounts for Ethics Performance	Board Accountability	
Ethics Committee Compensation Committee Board Committees Sustainability Committee Executive Committee	Committees	**Oversight Structures**
Three Lines of Defence Internal and External Auditors	Auditors	
International Financial Reporting Standards Regulatory Reporting Regular Reporting by Board	Reporting	**Reporting**

Committees		
Compensation Reporting		
Environment, Social and Governance Reporting		

Significant majority independent directors	Independence	
Race statistics		
African, White Indian and Coloured	Race	
Gender Targets		Board Diversity
Female Directors Statistics	Gender	
Male Directors Statistics		
Difference in Cultures		
Various Countries of Origin	Ethnicity	

Education		
Skills		
Highest skill in governance	Expertise	
Majority hold Bachelor of Commerce degree		Directors Experience
Majority are above the age of 60	Age	

ANNEXURE D

Interview Guide

1. How long have you been in the banking sector?
2. How long have you been with this bank?
3. In general, how do you define an ethical culture?
4. Which values come to mind in relation to an ethical culture?
5. How important is it for your bank to uphold an ethical culture?
6. What are some of the elements that demonstrate the presence of an ethical culture in the bank you work for?
7. What are some of the benefits that can be derived by banks when a culture of ethics is implemented?
8. What are some of the disadvantages to not having an organisational ethical culture?
9. Is there a committee that deals with ethics in the bank?
10. Does the bank have policies on ethics or ethical conduct?
11. Who is required to comply with the policies on ethics?
12. Is there training on ethics that employees are required to complete?

    13.1 If so, what is the frequency of the training (e.g. only once during one's employment, ongoing etc)
13. Are there any other ways that the bank tries to encourage ethical conduct in the organisation?

    13.1 If so, what are the other ways?
14. Does the bank discourage unethical conduct?
15. Are there channels available for raising concerns related to unethical conduct?

    15.1 If so, is anonymity permitted?