

**Impact of the Environmental, Social, and
Governance reporting framework on
practices in JSE listed companies.**

submitted by

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DECLARATION

I, Nyanisi Nyeleti Daisy Manyike, declare that this research article is my own work except as indicated in the references and acknowledgments. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Nyanisi Nyeleti Daisy Manyike

Signed at ...Centurion.....

On the ...27..... day ofFebruary..... 2023.....

DEDICATION

This research paper is dedicated to my late parents, David and Florinah Manyike.

Thank you for the everything you did for me. I am wholeheartedly and eternally grateful for it.
May your souls continue to rest in eternal peace.

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Abstract

A company's long-term sustainability and financial performance are the most important goals all CEOs and managers aim to achieve. One way of achieving these objectives is by integrating ESG into a company's investment decision-making processes. ESG reporting ensures that an organization is accountable for Environmental, Social, and Governance issues. The proposition that the author makes is that integrating ESG in investment decision-making processes will result in a company's long-term sustainability together with improved financial performance. The study sampled 42 out of 100 respondents from an Asset Manager. The results show that, although some respondents do not fully agree that ESG integration in investment decision-making processes improves its financial performance, the majority hold the view that it achieves this goal and most particularly long-term sustainability of a company. As such, the findings from the 42 respondents confirm the two propositions made by the author. Although there is high agreement that ESG integration accomplishes the two said objectives, there are respondents who do not agree with the same. This study did not probe reasons for varying views, as such it is recommended that a mixed methods study be conducted in the future to understand in-depth reasons behind the responses.

List of abbreviations

AGM – Annual General Meeting

CDP – Carbon Disclosure Project

ESG – Environmental, Social, and Governance

FSCA – Financial Sector Conduct Authority

HDIs – Historically Disadvantaged Individuals

GRI – Global Reporting Initiative

IIRC – International Integrated Reporting Council

IoDSA – Institute of Directors in Southern Africa

ISSB – International Sustainability Standards Board

JSE – Johannesburg Stock Exchange

JSE SRI – JSE Socially Responsible Investment

King III – King Code of Governance Principles

King IV – King IV Report on Corporate Governance

OECD – Organisation for Economic Co-operation and Development

PwC – PricewaterhouseCoopers

ROA – Return on Assets

ROE – Return on Equity

ROI – Return on Investment

SASB - Sustainability Accounting Standards Board

SDGs – Sustainable Development Goals

SEC – Securities and Exchange Commission

SRI – Socially Responsible Investing

TCFD - Task Force on Climate-related Financial Disclosures

UNPRI – United Nations Principles of Responsible Investment

CHAPTER 1: INTRODUCTION

1.1. Purpose of the study

Environmental, Social, and Governance (ESG) risks and opportunities have become the forefront of company strategies. There has been increased scrutiny and focus from investors, government, shareholders, and communities on how companies approach these risks and opportunities. Sustainability is one of the most pressing issues of our time with climate change and extreme weather patterns (UNPRI, 2022). It has been observed that there is a global interest in responsible investing that has prompted the growing need of incorporating ESG principles in investment decision-making processes to provide investors with a broader understanding of the companies in which they invest (Orsagh, 2018).

ESG reporting plays a significant role as it permits companies to disclose and demonstrate their performance on ESG opportunities, risks, and associated strategies, so that investors can recognize how companies' function, consequently, aiding in the positioning of their portfolios accordingly. This chapter provides the background of the study, the problem statement, the research objectives, the research aim and purpose, the significance of the study, delimitations, assumptions, and the chapter outline. This study will explore the Impact of the Environmental, Social, and Governance reporting framework on practices in JSE-listed companies.

1.2 Background of the study

There is a growing importance for ESG reporting from stakeholders and investors. Companies are being encouraged to be transparent and disclose more of their business activities. The investment community no longer deems financial factors as the only drivers of shareholder value. ESG and sustainability are increasingly becoming strategic issues that have a direct impact on the long-term sustainability of companies (Chong, 2016). To respond to the growing needs of stakeholders, companies must demonstrate how they are creating value for shareholders and society by producing insightful and trusted disclosures and the impact that their operations have on the environment, activities to alleviate challenges facing society, and efforts in place to implement sustainable corporate governance (Arvidsson S. D., 2021).

There are several frameworks available that offer companies global standards on how to measure and disclose their ESG performance. In 2005, the then United Nations Secretary–General Kofi Annan extended an invitation to the world's largest institutional investors to come together and develop the Principles for Responsible Investment (UNPRI, 2022). Subsequent the successful gathering, in 2006, the UN Principles of Responsible Investment (UNPRI) introduced the value of incorporating ESG matters in the investment decision-making process and ownership guidelines for the investment community. The UNPRI reports that the number of signatories in 2022 is presently at 4250 members (UNPRI, 2022).

Major ESG reporting guidelines have subsequently been developed. These include global frameworks such as the UN Global Reporting Initiative (GRI) Standards framework which makes available reporting principles that advance companies' transparency and permits companies to conduct sustainable performance benchmarks against global standards and voluntary initiatives. The Carbon Disclosure Project (CDP) is a systematic means of measuring, disclosing, and managing environmental information while promoting the inclusion of climate-related data in mainstream company financial reporting.

The International Integrated Reporting Council (IIRC) framework integrates ESG considerations in companies' financial reporting, and King Codes of Corporate Governance (King IV). Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was developed to assist in identifying information required by investors and lenders to price and assess climate-related risks and opportunities. The Sustainability Accounting Standards Board (SASB) is an ESG framework with disclosure standards of companies' financially material sustainability information (Hill, 2020).

According to a survey conducted by the CFA Institute, 85% of investment managers from institutional investors across different countries globally are progressively integrating ESG criteria into their investment decision-making processes (Amel-Zadeh & Serafeim, 2018). Although ESG reporting is not yet a mandatory requirement in most countries, many companies provide voluntary disclosures since they are cognizant of the importance that emanates from communicating their respective business strategies together with the impact that their business has on the environment and the ecosystem (Amel-Zadeh & Serafeim, 2018). The Organisation for Economic Co-operation and Development (OECD) holds the view that notwithstanding the progress made in the development of ESG practices globally, the same has resulted in variations of metrics and the lack of

comparability for investors. The OECD further delineates that improved ESG methodologies and being transparent remain in a transitional phase owing to some rating providers still in the process of refining the methodologies used in incorporating the materiality element (Boffo & Palatano, 2020).

South Africa is one of the countries at the forefront globally as far as ESG disclosure and reporting are concerned (Van der Lugt, 2020). The Johannesburg Stock Exchange (JSE) was the first exchange in the world to launch the JSE Socially Responsible Investment (JSE SRI) Index in 2004 to measure and promote transparent corporate sustainability practices of JSE-listed companies (Maubane, Andre, & Nadia, 2014). In 2015, the JSE partnered with FTSE Russell to replace the SRI Index with the FTSE/JSE Responsible Investment Index Series. The new index permits companies to be measured and assessed on a global scale relative to global peers with the main objective of gaining global exposure (Songi, 2019). Accordingly, the JSE in collaboration with the Institute of Directors in Southern Africa (IoDSA) issued guidelines on reporting ESG information (Moikwathlai, Yaeesh, & Irfaan, 2019).

1.3 Research problem

Climate change and societal megatrends have accelerated the pressure on companies to improve and disclose their ESG performance. There is a view that postulates that ESG matters were previously deemed as a “tick-box” and a “window-dressing” exercise (Hill, 2020). Investors and stakeholders have in recent years assumed an active interest in the impact that their investments have on environmental and societal issues. Investors are increasingly becoming interested in investment opportunities that are aligned with their value systems and priorities (Amel-Zadeh & Serafeim, 2018). Investors value disclosures by investee companies as it allows them to measure the progress or lack thereof made by companies as far as generating returns and making a lasting social impact are concerned (Pedros, 2020).

South Africa ranks highly as the most unequal country in the world owing to the social injustices of the apartheid regime (Maluleke, 2019). Statistics South Africa's Quarterly Labour Force Survey (QLFS) observed that at the end of the fourth quarter of 2021, the unemployment rate in South Africa was 35,3% (SA, 2022). There is a concern among investors that companies are "greenwashing" and exaggerating the extent to which they are in alignment with the United Nations Sustainable Development Goals (SDGs) and how

they are "walking the green talk" (Pedros, 2020). Investors hold the view that through the disclosure of ESG factors, they can hold investee companies accountable as far as being impactful, and the alignment of the business model with societal needs such as economic participation of Historically Disadvantaged Individuals (HDIs), community development, climate change, being a net-zero company by 2050, to name but a few are concerned (Gassman & Colm, 2021).

The Covid-19 global pandemic has exacerbated and heightened the consciousness of how interconnected everyone is and how rapid external shocks exert through the global economy, and how fundamental trust and transparency have become to the operations of an economy. A recent survey by PricewaterhouseCoopers (PwC) specified that 79% of its respondents stated that ESG reporting was an imperative factor in their investment decision-making, while 49% indicated their willingness to divest from companies that lack sufficient interest in ESG issues (Chalmers, Cox, & Nadja, 2021). Research by Johnson deduced that effective consideration and disclosure of ESG risks afford firms multiple investment opportunities (Johnson, 2020). ESG investment and ESG disclosures are increasingly being recognized by exchanges, regulatory bodies, and investors globally. Stock Exchanges in countries such as Malaysia, the United Kingdom, South Africa, Canada, Norway, India, Germany, Thailand, Turkey, Singapore, and Brazil, have launched ESG disclosure guidelines and requirements for listed companies (Zhao, et al., 2018).

In 2009, the King Code of Governance Principles (King III) introduced integrated reporting which required companies to report on their financial and sustainability practices. In May 2017, the JSE amended the Listings Requirements to compel companies to apply or explain all King IV principles (Songi, 2019). After the amendment, failure to comply with the mandatory requirements of the King Code or Listings requirements, The JSE Listing Committee has the authority to sanction companies through a fine, censure, suspension, or delisting (Songi, 2019). Considering how South Africa and the JSE have been at the forefront of developing ESG reporting guidelines, this study will place focus on evaluating the ESG reporting of companies in the Financials industry to assess the impact that their reporting has on the investment community and stakeholders and how that impacts sustainable corporate governance principles.

The evolution of ESG integration and ESG reporting is continually gaining traction (Gassman & Colm, 2021). Investors and stakeholders require full disclosure of companies' operations from both a financial and non-financial perspective to make informed decisions

on the sustainability of a company and long-term value creation. ESG reports provide both qualitative and quantitative data that explain the impact and the value added of a company. Against this background, this research aims to explore the impact of the ESG reporting framework on practices in JSE-listed companies, with a specific focus on the Financials industry and the extent to which these companies are becoming more transparent to their different stakeholders concerning the different risks and opportunities faced in their companies by adopting these various ESG disclosure guidelines and frameworks.

Notwithstanding numerous empirical research studies and white papers published by researchers and scholars, ESG is an expansive topic that presents a challenge for organizations to recognize where to begin their disclosure journey. The lack of standardized frameworks confuses and permits room for companies to manoeuvre and disclose what they deem as being best for the company and not necessarily for all parties concerned i.e., stakeholders, investors, government, and society. Corporate governance failures continue to be uncovered. ESG disclosures have the potential to revamp the success of an organization, through planning, and implementation while allowing investors and stakeholders to monitor and track the progress thereof (Gassman & Colm, 2021). This study seeks to explore the impact and the extent to which being transparent through ESG disclosures has an influence on investors and stakeholders and the long-term sustainability of the company.

1.4 Research purpose and aim

The purpose of this study is to assess and explore the impact of the ESG reporting framework on the long-term sustainability and financial performance of JSE-listed companies. There is increased demand for better-informed change with ESG reporting becoming a priority for many companies and investors. This study will place focus on JSE-listed companies in the Financials sector to determine whether the information that is being reported is impactful and contributes towards their sustainability and improved financial performance. This study seeks to unpack the relevance of the reporting guidelines and frameworks. The first proposition of this study is as follows:

Proposition 1: *There is a positive relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.*

Companies with ESG strategies are deemed to have a more sustainable long-term vision as opposed to traditional companies (Simon, 2016). Freeman's Stakeholder Theory contrasts Friedman's Shareholder Theory and postulates that there is a link between ESG performance and financial performance. Freeman opines that companies should not only focus on the financial well-being of all their shareholders but should maximize the well-being of all their shareholders (Freeman & Jeffrey, 2018).

A survey conducted by Ernst & Young found that institutional investors are increasing their efforts in so far as assessing their performance using ESG frameworks (Kalia & Tyagi, 2021). According to the survey, 98% of the investors use structured methodical evaluation techniques to evaluate companies' non-financial performance. Moreover, the survey deduced that during the global recession, ESG funds demonstrated long-term business resilience as they performed much better than normal funds (Kalia & Tyagi, 2021).

ESG integration in investment decision-making processes assists in improving the coherence of sustainability-related risk management and long-term sustainability (Bamahros, et al., 2022). ESG integration helps in resource allocation, minimizes a company's financial impact, improves competitiveness and financial performance, and enhances stakeholder confidence (Kalia & Tyagi, 2021). As a result, the following can be assumed by this study:

Proposition 2: *There is a positive relationship between ESG reporting and a company's financial performance.*

Empirical studies have highlighted that there is a positive relationship between ESG performance and financial performance. Zhao et. al (2018) in their study found that traditional managers that are integrating ESG evaluation reports in their due diligence processes, achieved a positive effect on a company's long-term financial performance and return on equity (ROE) (Zhao, et al., 2018). The study also found that good environmental performance and social performance assists have a positive effect on a company's financial performance (Zhao, et al., 2018). Friedman opines that investing in social causes leads to higher costs for the company, consequently, leading to a lower Return on Investment (ROI) (Friedman, 1970).

However, Freeman dispels Friedman's doctrine and argued that Freeman's theory is an ancient managerial capitalism idea that was no longer effective (Freeman & Jeffrey, 2018). Blackrock, the world's largest asset manager, conducted research and established that

"there is a correlation between sustainability and traditional factors such as quality and low volatility" indicating the resilience of companies during downturns (Blackrock, 2022). According to Blackrock, ESG-tilted portfolios outperformed non-ESG-managed funds during market downturns (Blackrock, 2022).

Investors are becoming actively involved in companies that they invest in to ensure ethical business conduct and practices are adhered to and that there is a social impact that is in alignment with sustainable and accountable values. This study will determine whether there is a relationship between being transparent and reporting on ESG issues faced by the financial services companies listed on the JSE and their financial performance. If ESG reporting is proven to be an imperative element of investment decision-making processes for investors, then improvements are essential to keep investors abreast and satisfied.

1.5 Significance of the study

This study will contribute to the developing and growing requirement of ESG disclosures and reporting, and the impact this has on the sustainability of companies. With sustainability considered one of the most pressing issues of our time, ethical considerations and being aligned with sustainable value creation remains mutual motivations for many ESG investors. Most companies now look to ESG integration into their investment decision-making processes along with traditional financial analysis. Empirical research and studies have shown that over the last decade, institutional investors are taking ESG practices more seriously with the view that integrating ESG in investment analysis is central to better risk-adjusted returns.

Existing research on ESG disclosures and reporting permeates that the inconsistencies of rating matrices make it difficult to measure and compare how companies' fair relative to peers. The ESG standards in most countries are still voluntary and the absence of mandatory regulations provides room for companies to report on what they consider as being prominent issues to report on as opposed to a harmonized standardized reporting framework. A report by Goldman Sachs deduced that companies with better ESG scores delivered higher shareholder returns over the past decade, as opposed to those that have weaker scores (Strongin & Mirabal, 2020). The research was based on 1202 global companies which found that companies with higher ESG scores delivered 9% of returns, whereas those with lower ESG scores produced around 2% of returns (Strongin & Mirabal, 2020).

Through this study, JSE-listed companies will be encouraged to advance and improve their level of disclosure for investors. Observed research and white papers on ESG reporting and disclosures indicate that investors deem companies with robust ESG practices to be more sustainable overall. Companies with higher ESG scores are more productive (Strongin & Mirabal, 2020). With South Africa being at the forefront of ESG reporting, by continuing to be transparent and incorporating ESG practices in the investment process, there is a possibility of attracting more investors owing to how important ESG risks and opportunities are disclosed.

Through this study, the investment community will be empowered to view the comparison of best-performing companies as far as ESG reporting is concerned. This will assist in their investment decision-making processes. As far as future research is concerned, the data and the analysis performed in this study will provide future researchers with a contribution to the baseline of the growing and evolving impact of ESG reporting and how that impacts a company's long-term financial and non-financial sustainability.

1.6 Delimitations of the study

The objective of this empirical research study is to explore the impact of the ESG reporting framework on practices in JSE companies. ESG is a global phenomenon with the investment community adjusting to the changing landscape and finding their way around how to adopt the various frameworks that are available. There is increased focus on companies to demonstrate their commitment to improved disclosures while being transparent. This study's focus is on JSE-listed companies with specific attention on the Financials industry to harmonize the comparison and assessment of the respective companies' reporting standards. Focus will be placed on evaluating the relationship between ESG integration in investment decision making processes and the long-term sustainability of a company. Furthermore, this study will explore the relationship between ESG reporting and a company's financial performance.

Certain ESG frameworks and guidelines are global standards that apply to the entire investment universe, including to JSE-listed companies. These will be considered as they are relevant in providing context on how South Africa is fairing relative to the rest of the world. The study sampled investment professionals from an Asset Manager who have knowledge of listed companies and hold stocks in the JSE. A structured survey/questionnaire will be adopted to collect data from the identified respondents. The

study selected the descriptive quantitative methodology to analyse the collected data. To increase the reliability and validity of the study for future research, inferential statistics was conducted using SPSS software to analyse the data that was collected from the respondents.

1.7 Outline of the study

Chapter 1 commences by providing an introduction, problem statement and the background of the study. Chapter 2 will introduce the literature review comprising the relevant ESG theory and frameworks relevant to this study. Chapter 3 describes the chosen research methodology, research design and the validity and reliability of the study. Chapter 4 presents the results and provides an analysis of the data while linking it to the existing theory. Lastly, Chapter 5 presents the summary of findings, recommendations, and conclusions to the study.

1.8 Conclusion

This chapter provided an introduction and background of the study, specifically focusing on ESG and how it is increasingly becoming an important integral part of organizations' sustainability, including financial sustainability. A problem statement/ aims, and two propositions are outlined, setting the tone for what the broader study will investigate. The two propositions, "There is a positive relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company" and "There is a positive relationship between ESG reporting and a company's financial performance" were tested through 42 employees of an Asset Manager who completed an online survey. The next chapter presents literature that was reviewed to understand some of the most dominant discourses and theories around ESG, organizational sustainability, and financial performance.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter provides the background to the study, the relevant literature review on ESG, applicable theories, ESG framework, Disclosure guidelines, and the conclusion of the literature. The literature included in this section is critical as it provides the genesis and the evolving concept of ESG and the impact of reporting corporate activities for the benefit of stakeholders. This includes the identification of global standards and frameworks that are relevant and available for company integration. The literature provides theoretical frameworks that inform the basis of ESG investing and reporting and the growing need from investors for more accountability, reliability, and transparency from companies.

2.2. ESG background discussion

The practice of ESG investing commenced in the 1960s; it was referred to as “Socially Responsible Investing” (SRI) which was introduced following the opposition to the Vietnam War and the civil rights movement (Chong, 2016). The phenomenon was heightened in the 1970s and 1980s when investors were not including certain stocks or entire industries from their investment portfolios based on commercial activities such as the production of tobacco, or any participation in the South African apartheid regime (MSCI, 2022). ESG awareness has over the past few years increased owing to factors stemming from environmental risks, social practices, and governance failures caused by high-profile ESG-related incidents of corporates (Pedros, 2020).

Hill provides distinctions between SRI and ESG (Hill, 2020). He contrasts that SRI places focus on the impact companies have in precise areas of interest, while ESG investing places focus on providing guidance on the companies to be included in an overall portfolio construction (Hill, 2020). Matos considers “ESG,” “Responsible Investing,” and “Sustainable Investing” as “broad umbrella terms that refer to the incorporation of environmental, social, and governance considerations into investors’ portfolio decisions” (Pedros, 2020). Matos further posits that due to the evolving nature of ESG investing, the implementation of ESG has not been consistently defined (Pedros, 2020). According to the UNPRI, ESG reporting is the disclosure of environmental, social, and governance

considerations of a company's operations (UNPRI, 2022). Examples of ESG factors are depicted below:

Environmental	Social	Governance
<ul style="list-style-type: none"> • Climate Change • Energy use • Water treatment • Resource Depletion • Waste management • Pollution • Deforestation • Carbon emissions • Financing environmental impact • Biodiversity & land use 	<ul style="list-style-type: none"> • Inclusivity • Diversity • Gender Issues • Human rights • Child Labour • Working Conditions • Employee Relations • Supply chain • Health & Safety • Access to finance 	<ul style="list-style-type: none"> • Corporate Governance • Board diversity and structure • Executive pay • Ownership • Accounting • Business ethics • Corruption & instability • Tax Transparency • Political lobbying and donations

Table 1: ESG Factors (Source: UNPRI 2022)

2.3. ESG Integration

According to the UNPRI, ESG integration is “the explicit and systematic inclusion of material ESG factors into investment analysis and investment decisions” (Sloggett, 2016). In 2007, the CFA Institute and the UNPRI conducted a study aimed at providing global insight into ESG integration techniques. The study included case studies by Portfolio Managers, Analysts, and investors who shared their processes on how they integrate ESG into their investment decision-making processes and portfolio analysis (Orsagh, 2018). The study found that an important constituent of ESG integration is about lowering risk and enhancing investment returns (Orsagh, 2018). Moreover, the study established that investors make investments in companies with a demonstration of strong ESG

management as they are probable to outperform competitors in the long term (Orsagh, 2018).

An ESG integration study was conducted by Kotsantonis et al., (2016) which focused on dispelling the realities and myths surrounding ESG integration in investment decision-making (Kotsantonis, 2016). The study delineated that not all PRI signatories complied with the PRI principles, while some only committed to behaving by the principles, which was revealed fell short of ESG integration (Kotsantonis, 2016). In 2018, the PRI leadership conducted a signatory's audit where 180 companies were found to have insufficient and lacked robust ESG commitments; subsequently, the companies were put on notice and given time to remedy their management processes and disclosures (Morrison, 2021).

The ESG landscape is ever-changing with a focus on certain areas becoming more prevalent as they become topical (Almeyda & Darmansyah, 2019). There is currently a great deal of focus being placed on the environmental element owing to climate change and the extreme weather patterns that have been experienced over the past few years (Abhayawansa, Elijido-Ten, & Dumay, 2019). Where the social element is concerned, investors continue to advocate for companies to embrace inclusion, equity, and diversity (Morrison, 2021). There is an increased focus on companies to accelerate their commitment to the advancement of gender diversity by having more women occupying key decision-making roles in companies they invest in (Camilleri, 2020).

Stakeholders and investors are increasingly demanding to have sight of investee companies' strategies in place to bolster corporate governance, the response to climate change, and the trickling effect it has on the social pillar, i.e., assisting communities in distress because of the after-effects of climate change and inclusive participation in the economy encompassing HDIs. Investors' and stakeholders' views are that through ESG reporting, they can hold companies accountable and track their progress due to transparent and improved disclosures.

Below is a representation of some of the ESG Global frameworks available:

Global Reporting Frameworks			
Framework Name	Topic-specific Disclosures or Multi-topic	Standard or Framework	Primary Audience
Sustainability Standards Board (SASB)	Multiple disclosures across economic, environmental, and social	Standard	Regulators
Principles of Responsible Investment (UNPRI)	Topic-specific questions relating to investment impacts such as climate-related impacts	Framework	Investors
Dow Jones Sustainability (DJSI)	Multiple standards across economic, environmental & social	Standard (indices)	Investors
Task Force on Climate-Related Financial Disclosures (TCFD)	Climate change specific	Framework	Investors, lenders & insurers
CDP	Specific coverage of climate change, supply chain, water & forests	Framework	Investors & customers
GRESB	Multiple standards across economic, environmental & social	Standard (indices)	Investors
Global Reporting Initiative (GRI)	Multiple standards across economic, environmental & social	Standard	Multiple stakeholder groups
International Standards Organisation (ISO)	Topic-specific standards such as GHG, energy management, or social procurement	Standard	Multiple stakeholder groups
Integrated Reporting	Framework that covers all financial and non-financial issues	Framework	Investors & Multiple stakeholder groups
Sustainable Development Goals (SDGs)	The global goals cover all issues	Guidelines	Multiple stakeholder groups
FTSE4Good	Multiple indicators across economic, environmental & social	Standard (indices)	Investors

Table 2: ESG Global Frameworks (Source: Planet mark 2022)

2.4. Current Theories

2.4.1. Shareholder Theory

Shareholder Theory was introduced by economist Milton Friedman in 1970. Friedman contended that a business's social responsibility is to increase profits for its shareholders (Friedman, 1970). Friedman argued that a company does not have a social responsibility to society or the public, but only to its shareholders. In his argument, Friedman opined that although individuals have social responsibilities, pursuing the same at the organization's expense is using shareholder's money to pursue objectives that are not beneficial for the company (Hill, 2020). Friedman further expounded that pursuing social goals is neglecting one's responsibility toward the owners of the company, which in his view is unethical and a hindrance to the organization (Parmar, 2010).

According to Friedman, the principle of social responsibility is founded on acknowledging the socialist view that political mechanisms and not market mechanisms are the applicable way of influencing the allocation of resources (Friedman, 1970). Several empirical research studies criticized Friedman's shareholder model because it only places focus on the interests of owners as opposed to the interests of all parties that are involved in the operation of the business (Duran, 2018). There is a view that posits that placing focus on increasing profits is what has led to a series of corporate scandals and manipulation of financials owing to undue pressure of maximizing profits and shareholders' value (Bello & Martins, 2021).

2.4.2. Stakeholder Theory

Another theory that was reviewed in the corporate governance literature is the Stakeholder Theory. The Theory originally dates to 1984 when Edward Freeman argued that there is interconnectedness between a company and its customers, investors, employees, suppliers, communities, and persons with a stake in the business (Purnel, 2012). Stakeholder Theory's popularity is attributable to the business world which is increasingly becoming complex and tumultuous, and society's growing sensitivity to the ethical/unethical conduct of companies (Freeman & Jeffrey, 2018).

Contrary to Shareholder Theory, Stakeholder Theory posits that shareholders are one of the many stakeholders in a company (Yusoff & Alhaji, 2012). The Theory advocates that a company's success is embedded in the satisfaction of all its stakeholders which includes

employees, government, environmental groups, communities, vendors, etc., and not only the providers of capital (Simon, 2016). Stakeholder Theory postulates that the world is far more complex and that successful businesses create value, some of which is financial, for all stakeholders (Freeman & Jeffrey, 2018).

Stakeholder Theory continues to be the primary theoretical framework in non-financial disclosure literature (Yusoff & Alhaji, 2012). The Theory's central principle is that companies are naturally interconnected to various groups that have interests and are affected by the activities of the organization and that Managers ought to by some means place to focus on addressing their concerns and demands to create value and achieve long-term existence (Duran, 2018).

2.4.3. Legitimacy Theory

According to Suchman (1995), "Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Tilling, 2010). Legitimacy theory "is a mechanism that supports organizations in implementing and developing voluntary social and environmental disclosures to fulfil their social contract that enables the recognition of their objectives and the survival in a jumpy and turbulent environment" (Burlea, 2013). The Theory suggests that there exists a social contract between an organization and the society where it operates (Yusoff & Alhaji, 2012).

Legitimacy Theory contends that society grants companies permission to operate through natural resources and people to hire and companies are ultimately accountable to society (Yusoff & Alhaji, 2012). According to the Legitimacy theory, profit maximization was previously viewed as a corporate governance measure. The Theory emphasizes the consideration of the public's rights and not merely investors' rights (Yusoff & Alhaji, 2012). Empirical research has utilized legitimacy theory to study social and environmental reporting and suggested that there is a relationship between corporate disclosures and stakeholder expectations (Yusoff & Alhaji, 2012).

2.5. ESG and Financial Performance

The correlation between ESG and company financial performance can be traced back to the 1970s (Friede, Busch, & Bassen, 2015). Empirical research provides that there are debates in terms of the positive and negative effects ESG has on financial markets as

embodied by the value and company economic performance (Aldowais, Kokuryo, Almazyad, & Goi, 2022).

A study that was conducted by Friede et.al. (2015) comprising over 2000 observed findings deduced that the majority of ESG research outcomes indicated that ESG has a positive effect on a company's financial performance (Friede, Busch, & Bassen, 2015). In addition, it was observed that there is a positive relationship between profitability and ESG disclosures (Aldowais, Kokuryo, Almazyad, & Goi, 2022). Another study argued that being socially responsible attracts a heightened number of stakeholders (Camilleri, 2020).

A research study was conducted by Whelan et al., (2021) where over 1000 companies were assessed. The study concluded that for 58% of the sampled companies, a positive relationship existed between ESG and financial performance, with a specific focus on financial metrics such as Return on Assets (ROA), Return on Equity (ROE), while 13% of the companies displayed a neutral impact, 21% echoed mixed results, while 8% showed a negative relationship (Whelan, Atz, Van Holt, & Clark, 2021). In addition, the study concluded that there was consensus among the assessed companies that proper management of ESG matters resulted in enhanced performance of metrics such as ROA, ROE, and company share price.

Moreover, very limited studies observed conclusive negative correlations between ESG and financial performance (Wu, Li, Du, & Li, 2022). In contrast, a different study found that a lack of ESG disclosure negatively impacts market value and recommended improved quality of reporting as mitigation (Landau, Rochell, & Klein, 2020).

2.6. ESG and Long-term Sustainability

Sustainable development was initially defined in 1987 by the World Commission on Environment and Development as "the needs of the present without compromising the ability of future generations to meet their own need" (Wong, 2017). Empirical research deduced that a company's efforts in sustainability have the potential of improving and promoting the company's value and lead to differentiation and cost saving (Park & Jang, 2021). Risk management is a proactive approach to improving the sustainability of a company (Jo & Na, 2012).

Theoretical and empirical evidence found that companies with worse ESG profiles have higher carbon emissions and higher tail risks (Hoepner, Oikonomou, Sautner, Starks, &

Zhou, 2020). The evidence referred to BP's 2010 Deepwater Horizon oil spill as an example of a tail-risk event and highlighted the importance of robust environmental policies (Hoepner, Oikonomou, Sautner, Starks, & Zhou, 2020).

For decades, corporate ESG information has been met with skepticism and reproach by financial analysts and investors (Arvidsson & Dumay, 2021). There have been claims that ESG information does not have qualitative features such as value-add, being relevant, comparable, and reliable, and that it does not contribute to the financial decision-making process (Abhayawansa, Elijido-Ten, & Dumay, 2019). As cited by Abhayawansa et. al (Fink, 2020), the CEO (Chief Executive Officer) of the world's largest asset manager Blackrock, Larry Fink, permeates that companies that are reluctant to disclose information and not respond to stakeholders in addressing sustainability risks will be faced with growing cynicism from the investment community, and have increased cost of capital (Abhayawansa, Elijido-Ten, & Dumay, 2019).

2.7. Environmental Reporting

The first environmental reports were published in 1980 and subsequently prevalent among multinational companies since then (Wong, 2017). Climate change is fast becoming an urgent priority that needs to be addressed by the government, corporates, and society (Arvidsson S. D., 2021). Empirical research by MSCI posits that the concept of global sustainability has introduced new risk factors that were previously not at the forefront for investors such as climate change, floods, rising sea levels, shifts in demographics, data security, and regulatory pressures (MSCI, 2022). There are arguments that ESG investing enhances returns in the sense that stocks with vigorous ESG metrics outperform the market (Pedros, 2020).

In South Africa, institutional investors and shareholder activists are bringing forth climate change considerations to companies (Group, 2021). In 2019 at the Standard Bank Group Annual General Meeting (AGM), 55% of the company's shareholders supported the adoption of the disclosure of the company's policy in so far as lending to coal mines and coal-fired power plants are concerned, notwithstanding the Board's endorsement of voting against same (Astfalck & Swart, 2022). Furthermore, the renewed focus on climate change has been shown by the South African government through the establishment of the "Presidential Climate Commission" in February 2021 and the endorsement of the "Draft National Climate Change Bill" by Cabinet in September 2021 (Astfalck & Swart, 2022).

2.8. Social Reporting

The concept of Corporate Social Responsibility (CSR) was officially invented in 1953 by Economist Howard Bowen who expressed a fundamental morality in the way a company behaves towards society. According to Bowen, “CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society” (Bowen, 2013). The 1970s is reportedly the era in which there was a shift in emphasis on company reporting as the investment community began to focus on social responsibility (Clayton, 2015). A concern emanated where investors had concerns around community and employee rights which ultimately translated into social reporting (Clayton, 2015).

The concept of CSR has since evolved from the 1950s to the 2000s urging corporations to become global citizens and heed the development of ethical corporate cultures, to correct the negative impacts caused by corporates on human societies and the environment (Frederick, 2016). There is a concern among investors that companies are "greenwashing" and exaggerating the extent to which they are in alignment with the United Nations Sustainable Development Goals (SDGs) and how they are "walking the green talk" (Pedros, 2020). Investors hold the view that through the disclosure of ESG factors, they can hold investee companies accountable as far as being impactful, and the alignment of the business model with societal needs such as economic participation of Historically Disadvantaged Individuals (HDIs), community development, climate change, and being a net-zero company by 2050 (Gassman & Colm, 2021).

2.9. Governance Reporting

The concept of corporate governance has been widely defined by various authors. The Berle-Means Thesis (1932) deals with the governance of public corporations and posits that where corporate governance is concerned, the Board of Directors are the custodians of governance with owners of the corporation placing reliance on them to run the company (Khan, 2011). According to the OECD, corporate governance is “the system by which business corporations are directed and controlled, where the structure specifies the distribution of rights and responsibilities among different participants in the corporation such as the Board, shareholders, and other stakeholders spell out the rules and procedure for making decisions on corporate affairs” (Khan, 2011).

JSE listed companies are required to disclose financial material issues in terms of the "JSE Listings Requirements" (Songi, 2019). Furthermore, listed companies are expected to annually report on an "apply and explain" basis the extent to which they comply with King IV in their integrated report annually (Davids & Kitcat, 2022). Integrated report is defined as a "succinct communication about how an organization's strategy, governance, implementation, and projections, in the context of its exterior environment, lead to value creation in the short, medium and long term" (Davids & Kitcat, 2022).

Globally, the incidents triggered by Enron Corporation's accounting fraud in 2001, the Deepwater Horizon oil spill in 2010, the Volkswagen emission test cheating scandal in 2015, and Facebook's data privacy scandal in 2018 can be cited as corporate scandals that ensued due to poor corporate governance standards (Pedros, 2020).

From a South African perspective, the private sector has for the past decade been marred by corporate governance scandals. The biggest transgressions of companies listed on the JSE include the Steinhoff accounting scandal in 2018, which subsequently led to a 98% collapse of the corporation's share price and a debt burden of R150 billion (Business, 2020). Tongaat Hullett's accounting fraud ensued in 2020 when it was discovered that the corporation was overstating its financial results by R4.5 billion (Business, 2020). The company's share price collapsed, resulting in approximately R1.5 billion loss of revenue (Singh, 2022). The company responded by ensuing litigation processes against the executives responsible for value destruction, tarnishing the company's image, and bringing the company into disrepute with its shareholders, lenders, regulatory bodies, and the public (Harper, 2022). Tongaat was subsequently fined R7.5 million by the JSE and a further R20 million by the Financial Sector Conduct Authority (FSCA) for fraudulent conduct (Harper, 2022).

EOH was exposed by a whistle-blower complainant for alleged corruption in software dealings with the Public Sector in 2018 totaling around R1.2 billion (Business, 2020). In 2019, Sasol lost a third of its share price owing to cost overruns and delays totaling R180 billion at "Sasol's Lake Charles Chemicals Project" in the United States of America where it was later discovered through an independent investigation that there had been unfitting conduct and incompetence by the Project Management team (Business, 2020). These governance scandals have exacerbated and reinforced the demands by investors for full disclosure of corporate activities.

2.10. The JSE Sustainability and Climate Disclosure Guidelines

ESG considerations are increasingly becoming a major theme in the boardroom. The JSE is of the view that there is a need to respond to the rapidly changing landscape of ESG reporting, sustainability standards, and frameworks. To this effect, there are new ESG-related disclosure developments in South Africa (Davids & Kitcat, 2022). The JSE on 9 December 2021 launched the "JSE Sustainability Disclosure Guidance" and the "JSE Climate Change Disclosure Guidance" consultation papers that aim to endorse good governance and transparency guidelines on best market practices for listed companies.

The Guidelines make provision for the sustainability challenges that are pertinent to the South African context. The focus is on driving improved sustainability performance, accountability, and business leadership, while improving the value of available ESG information to encourage investment decisions that are well-informed (Astfalck & Swart, 2022).

The Sustainability Disclosure Guidelines integrate both the global and local context on the inter-relatedness of the various available standards. The main aim is to guide both listed and unlisted companies on the best approaches in so far as sustainability reporting is concerned (Davids & Kitcat, 2022). The Guidelines purpose are to highlight the importance of sustainability reporting to companies, as well as promoting increased access to capital, profitability, improved risk management, while boosting the reputation of corporates and stakeholder relationships (Astfalck & Swart, 2022).

The Climate Change Disclosure Guidelines are more specific to risks and opportunities related to climate change and the anticipated shift to a low-carbon economy. With Financial markets progressively pricing risks and looking at identifying and measuring new investment opportunities, investors are demanding better quality consistent data to inform their investment decisions (Mgwaba & De Lange, 2022). The guidelines are aligned with King IV and are currently voluntary; they are intended to help local companies navigate the ESG landscape and sustainability on a global scale (Davids & Kitcat, 2022).

Empirical research deduced that there are significant variances and an overlap presented by the different ESG reporting frameworks which have led to confusion for both the companies and the stakeholders. The retort from companies is that there should be a uniform ESG reporting framework to simplify the different stakeholder requirements. The contention is that a single universal framework will make it easier for companies to report

their ESG performance and easier for investors to make comparisons with the sustainability reports of peers. Against this background, this study placed focus on the evaluation of the various available reporting frameworks and whether they contribute towards the long-term financial sustainability of a company.

2.11 Chapter Summary

This chapter focused on the literature that was reviewed to understand some of the most dominant discourses and theories around ESG, organizational sustainability, and financial performance. The literature provides a view of how investors are navigating through the various frameworks and guidelines and the challenges faced in the progressive investor demands of disclosing more granular data as requested by investors. It further highlighted the newly introduced JSE disclosure guidelines and the impact that they will have on JSE-listed companies. The next chapter presents the research methodology, design, and approach used by the study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter's objective was to outline the research methodology, design, and approach employed in this study to make certain that study's objective is achieved. This study aimed to assess and explore the impact of the ESG reporting framework on the long-term sustainability and financial performance of JSE-listed companies. It further sought to unpack the relevance of the reporting guidelines and frameworks. To prove this, the research methodology choice was largely guided by the outlined processes by Saunders et.al. (Saunders, Lewis, & Thornhill, 2018).

This research study adopted a post-positivism philosophy as it required an objective stance, yet cognizance of the probable subjectivity that could arise from the respondents whom data was collected from. The aim of the post-positivism approach is to identify data trends as opposed to sweeping generalizations (Biedenbach & Müller, 2011). The remainder of this chapter discusses the research methodology and design, population, sampling method, sample size, measurement instrument, data collection tool, data gathering process and collection method, data analysis approach, research ethics, and research limitations.

3.2 Research methodology and design

Research methodology is the procedure of conducting research and scientific investigation (Kothari, 2015). It gives attention to the researcher's epistemological considerations, ontological considerations, and theoretical paradigm. This study employed the descriptive quantitative method to analyse the data that was collected from the respondents. Quantitative analysis is appropriate for this study as it is founded upon the research propositions and subsequently validates them through empirical observation on a specific set of data (Matveev V., 2002). The descriptive method proved to be useful as it assisted in obtaining information that describes the existing phenomena by asking participants about their perceptions, attitudes, and values. This methodology was found to be useful by the researcher as it sought to gather quantifiable data of the population sample for statistical analysis.

Considering that ESG is a growing and an evolving phenomenon, this chosen methodology assisted the researcher in understanding respondent's opinions and attitudes in so far as

the ESG phenomena is concerned. The main objective of this study was to determine the impact of the ESG reporting framework on practices in JSE-listed companies. This study encompassed a quantitative approach due to the complexity of the research questions and the need to explore the various factors.

A structured survey/questionnaire was adopted to collect data from the identified respondents. Structured questionnaires were presented to respondents with the exact wording following the same order to ensure uniform responses (Kothari, 2015). Respondents weighed in on the impact of ESG reporting frameworks on practices in JSE-listed companies. The study sought to establish if there was a positive relationship between ESG integration and the long-term sustainability of a company and its financial performance.

The upside of conducting the study using a survey was that a higher response rate was probable, it is less expensive and is not time-consuming, a larger target audience can be reached, and responses are quick (Jones, Baxter, & Khanduja, 2011). Furthermore, a pilot study was conducted to test if there were no ambiguous questions or anything that could impair the completion of the questionnaire.

3.3 Population and sample

A population comprises a group of individuals that the researcher seeks information or knowledge from (Kothari, 2015). The evolution of integrating ESG criteria in investment analysis and ESG reporting is continually gaining traction, with more investors and stakeholders seeking more information to make informed investment decisions (Gassman & Colm, 2021). The chosen population for this sample were Portfolio Managers, Assistant Portfolio Managers, ESG Specialists, Investment Risk Specialists, and Investment Analysts who have knowledge of listed companies and hold stocks in the JSE, in total, these were around one hundred (100) individuals. Participants were selected based on their knowledge, skills, and expertise to ensure consistency, reliability, and objectivity. The chosen participants are a representation of the target population.

3.4 Sampling method

Sampling is a research mechanism used for data collection without surveying the entire target population (Kalu & Bwalya, 2017). Data gathering is crucial in a research study as the data is meant to contribute towards a better understanding of the research objectives.

Sampling is critical in quantitative research because it assists the researcher in identifying persons rich in knowledge and collecting a representative sample of the population for exploration study (Marshall & Rossman, 2014)

Purposive sampling was chosen as the method of collecting data, to test the propositions and the characteristics of the selected population. Purposive sampling was used as it has been proven to be more effective in studies that seek to study a specific domain with proficient experts (Ilker Etikan, 2016). The method inherently remains robust and deliberately focuses on people that can better assist with the relevant research (Chong, 2016). Purposive sampling was found to be appropriate for this study owing to how ESG is an evolving phenomenon with more frameworks becoming available for adoption by JSE-listed companies, only a limited number of respondents that have exposure to the JSE-listed companies could be able to contribute towards this study due to their expertise and experience. Moreover, purposive sampling enabled the researcher to conclude the impact of the ESG reporting framework on practices in JSE-listed companies. Respondents were selected based on their availability and accessibility.

3.5 Sampling frame and size

A sampling frame comprises a broad list of the members of the population pertinent to the research (Saunders, Lewis, & Thornhill, 2018). This study's sampling frame comprised the Portfolio Managers, Assistant Portfolio Managers, ESG Specialists, Investment Risk Specialists, and Investment Analysts who have knowledge of listed companies and hold stocks in the JSE.

According to Malone, Nicholl, and Coyne (2016), a sample size must also be suitable to test the hypotheses. Most sample sizes used surveys to collect data and reached saturation (Kim, Sefcik, & Bradway, 2017). The researcher targeted a minimum of 40 participants, the minimum required sample size that will ensure representativity and increase the accuracy of the research results. The researcher acquired a sample size of 42 participants for this study. The researcher believed that the measure was sufficient to reach data saturation.

3.6 The research instrument

The research instrument used to collect data in this study is an online survey. This instrument was used to answer the research questions and objectives posed by this study. The online survey adopted a 5-point Likert scale methodology to gather information and solicit responses from the participants. A Likert scale permits individuals to express the

extent to which they agree or disagree with a specific statement (McLeod, 2019). A Likert scale accepts that the intensity of an attitude is linear and assumes that attitudes can be measured. The Likert scale was beneficial as it offered anonymity on self-administered surveys, thus reducing social pressures and undesirability biases (McLeod, 2019).

3.7 Data collection method

For this study, data was collected to establish whether there was a positive relationship between ESG reporting and a company's financial performance together with the integration of ESG in the investment decision-making processes. A survey was developed to collect data from identified respondents after the analysis of the company reports. The instrument used to collect data was a survey. The survey was web-based, conducted electronically, and distributed to respondents for their participation. The propositions of the study were used to formulate the questions of the survey. The justification for collecting data through a survey is that respondents completed it at their earliest convenience, there was no grouping effect as there was no influence by the presence of other respondents and permitted the researcher pulled diverse feedback from respondents (Klenke, 2016).

Moreover, the validation for selecting a survey as a data collection method was that the researcher sought to have control over the measurement and sampling methods together with the specificity of the questions that needed to be answered by the respondents. ESG is an emerging phenomenon that has since evolved from being a niche to mainstream investment; as such, the researcher sought to reach as many respondents as possible. Due to the broad JSE portfolio, this study only focused on ESG reporting of companies in the financial sector.

3.8 Procedure for data collection

Where data collection is concerned, the survey was distributed to a large number of participants to ensure the representation of a larger population. The email survey was distributed to Portfolio Managers, Assistant Portfolio Managers, ESG Professionals, Investment Risk Analysts, and Investment Specialists, who were identified as key participants for the survey.

3.9 Data analysis

A basic statistical analysis such as descriptive analysis and more complex statistical modelling, such as inferential statistics, was conducted using SPSS software. The statistical techniques applied, and steps followed for data analysis were performed.

To understand how respondents answered the questions, a descriptive statistical analysis was performed for every variable within the participant's data. Frequent tables with numbers and percentages were also computed for each categorical variable. To determine the central tendency of gathered answers, the mean scores for each question were calculated. The minimum and maximum values were calculated for each question to reveal the highest and lowest scores per question. The standard deviation calculation displays how distributed the variable is from the mean.

Testing the validity of the questions was a significant part of the statistical analysis. For this study, determining whether there is existence of significant relationships among the measured variables was essential. This is determined through the performance of various experimental factor analysis techniques.

3.10 Validity and Reliability

The validity of a research instrument assesses the extent to which the instrument measures what it is intended to measure. Reliability measures consistency, precision, repeatability, and trustworthiness of a research from the population sample (Chakrabarty, 2020). Existing theory on ESG and findings from empirical studies and frameworks were used to develop the survey. This research design is structured in a manner that seeks to answer the research questions meticulously. The questions that were asked to the respondents were aligned with the purpose and objectives of this study while seeking as much thorough information as possible from the participants' perspective. Furthermore, the researcher ensured consistency by asking all the respondents the same questions without tweaking. The dataset was assessed for validity regarding incomplete and missing item responses. The data was also analysed per participant to see if the exact answer was given to every question.

The Bartlett's test of sphericity and the KMO index were used to verify if factor analysis was the correct data reduction tool for this study. The KMO is used to measure the sample's adequacy, while Bartlett's sphericity test "is a comparison between the data's correlation matrix and the identity matrix to determine if any variables are not needed" (Field, 2014). A

KMO value above 0.5 and a significance level where the p-value is greater than 0.05 indicate that a factor analysis is appropriate (Field, 2014).

The reliability of the survey responses was determined by running Cronbach's Alpha test. Cronbach's Alpha is applied when measuring internal consistency. Hair et. Al (2014) provides that if the calculation for Cronbach's Alpha has a value that is greater than 0.7., the reliability of the construct can be accepted (Hair, 2018). When measuring the internal consistency using Cronbach's Alpha, the scale used differs with each study. Consequently, for this research, and cognizance of other recent and associated studies, the instruction of Tavakol and Dennick (2011) was assumed where an alpha value of between 0.7 and 0.9 implies internal consistency, therefore, reliability (Tavakol, 2011).

To increase the reliability, generalizability, and applicability of this study for future researchers, internal consistency tests were applied. Collecting data through a survey provided the sought consistency and reliability from respondents when measured on the same scale. Empirically, Cronbach's Alpha test has been proven to be the most used instrument for determining internal consistency (Heale & Twycross, 2015). To assess the validity of the 18 constructs, the literature reviewed and the existing theory on ESG reporting were used to ensure that there is correspondence with the propositions of this study without any deviation.

3.11 Legal and Ethical considerations

Given the nature of this study, ethical consideration was considered. All participants and respondents were treated with respect and courteousness, and their confidentiality and anonymity were guaranteed. Ethical clearance was sought from the University's Ethics Committee and was subsequently granted by the Committee to proceed with the study.

3.12 Limitations of the study

The limitations that this study may present are that the respondents may also not be able to complete the survey due to work commitments. Moreover, the researcher is working on a deadline set by the University. Some participants may not respond timeously to accommodate the researcher's deadline and time constraints, thus affecting the sample size. In addition, the researcher is an ESG Practitioner by profession and may display some form of bias toward views expressed by respondents. To avoid this biasness, the research will pay specific attention to the problem statement and gather data properly while avoiding impartiality.

3.13 Conclusion

The purpose of this study is to assess and explore the impact of the ESG reporting framework on the long-term sustainability and financial performance of JSE-listed companies. The author made two propositions, one, that there is a positive relationship between integrating ESG in investment decisions making processes and a company's long-term sustainability, secondly that there is a positive relationship between ESG reporting and a company's financial performance. To test these propositions, a quantitative research methodology was used with a survey as the main data collection method. This chapter justified this choice of methodology, sampling criteria and methods, data analysis, and limitations, and all legal and ethical concerns have been addressed. The next chapter presents and analyses the data that was collected.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The purpose of this study was to assess and explore the impact of the ESG reporting framework on the long-term sustainability and financial performance of JSE-listed companies. This assessment was done on two assumptions that the author made, one, that there is a positive relationship between integrating ESG in investment decisions making processes and a company's long-term sustainability, secondly that there is a positive relationship between ESG reporting and a company's financial performance. To test these propositions, the author surveyed 42 respondents. this Chapter presents data that came out of the survey.

The chapter commences by presenting the demographic makeup of the respondents, focusing specifically on the respondent's gender and their experience in years. The respondent's experiences are important in ascertaining the validity of their responses. The rest of the chapter is structured into three main categories, (i) the Relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company, (ii) the Relationship between a company's financial performance and ESG reporting, (iii) inferential statistics covering, mean, standard deviation and reliability and validity of the instrument, and constructs and (iv) Conclusion.

4.2 Respondents' demographics data

According to Figure 4.1, most male respondents are at the average age of 35 to 40 with an average work experience of 15 years, in total 26 males responded to the survey.

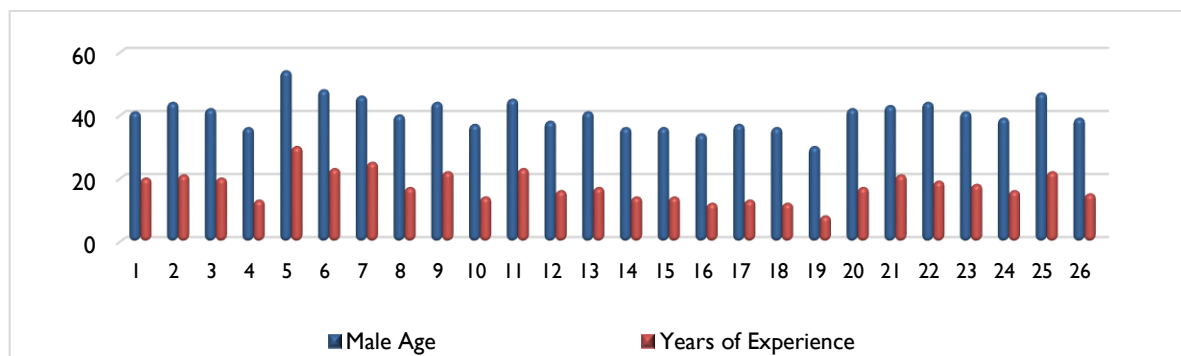


Figure 4.1 Male Respondents demographics

This is not surprising given the general South African workforce, Stas SA Quarter 3 (2022) states that the average age of employees in South Africa is 35-44, and the average tenure of employees across the public and private sectors is 2 years and 10 months (SA, 2022).

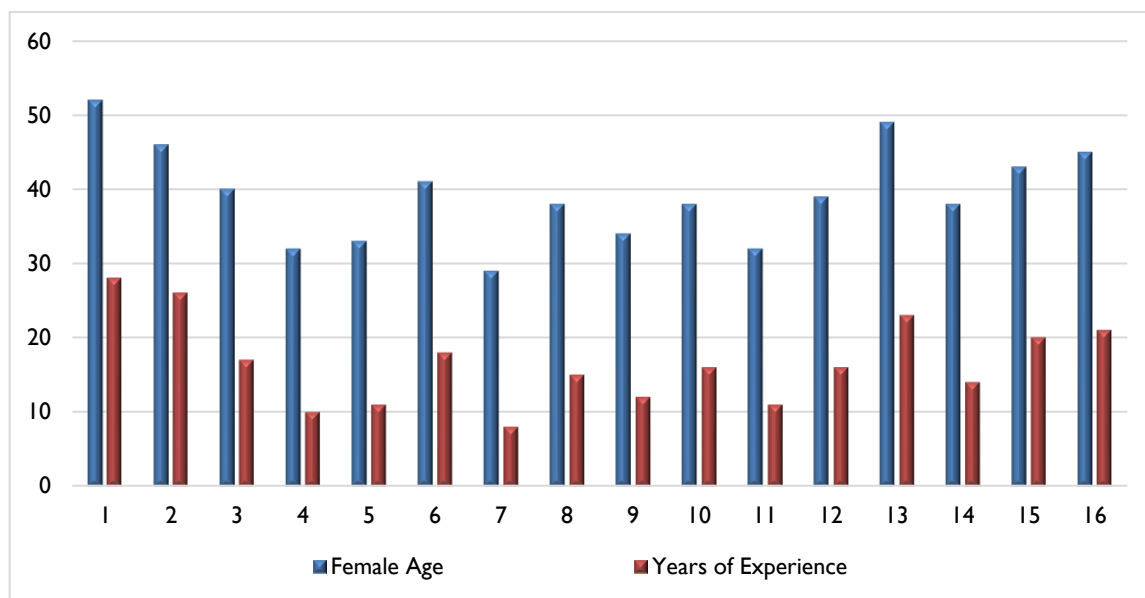


Figure 4.2 Female Respondents demographics

According to Figure 4.2, there were 16 female respondents to the survey with an average age of 30-35 and an average work experience of 10-15 years. In contrast to the male colleagues, there were fewer female respondents. The female workforce was younger with less work experience in terms of tenure. These dynamics mirror the general gender workforce dynamics of the country. Most companies, especially the private sector still have males as the dominant workforce both in terms of numbers and seniority. This is more of a historical reality; however, the patterns are changing as more women are entering professional workspaces and occupying leadership roles.

4.3 Relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.

This section presents and analyses responses related to the relationship between ESG integration and the long-term sustainability of a company.

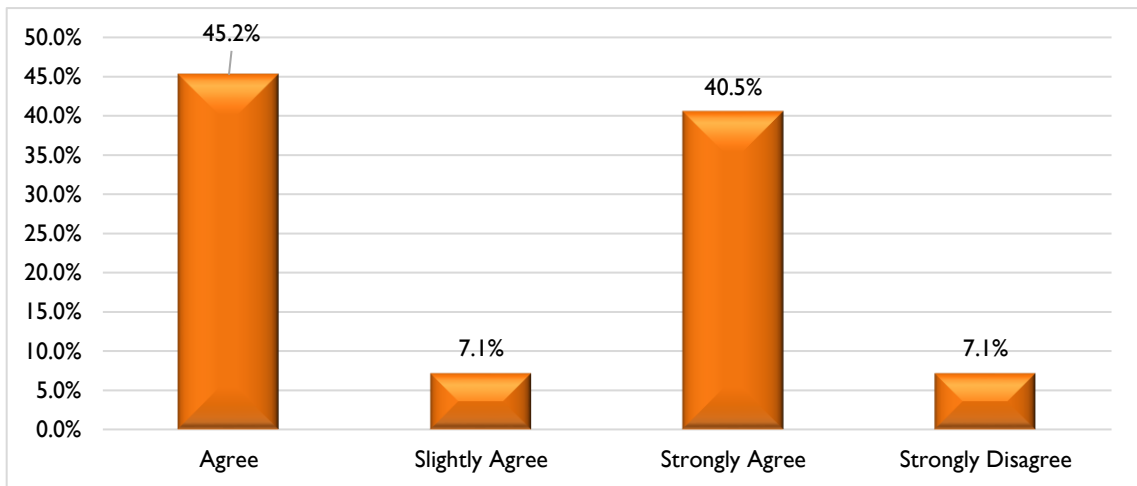


Figure 4.3 Mandatory ESG disclosures for companies lead to long-term sustainability.

According to Figure 4.3, 45% of respondents agree that mandatory ESG disclosure leads to long-term sustainability for companies, while 40% strongly agree with this statement and 7.1 strongly and slightly disagree. According to McNulty (2022) investors, shareholders, and stakeholders no longer deem financial factors as the only drivers of shareholder value. There is a view that ESG and sustainability are increasingly becoming strategic issues that have a direct impact on the long-term sustainability of companies (Chong, 2016). Accordingly, South African companies are advised to take decisive action on ESG reporting and sustainability as it will soon become mandatory to disclose ESG practices by local and international standards (McNulty, 2022).

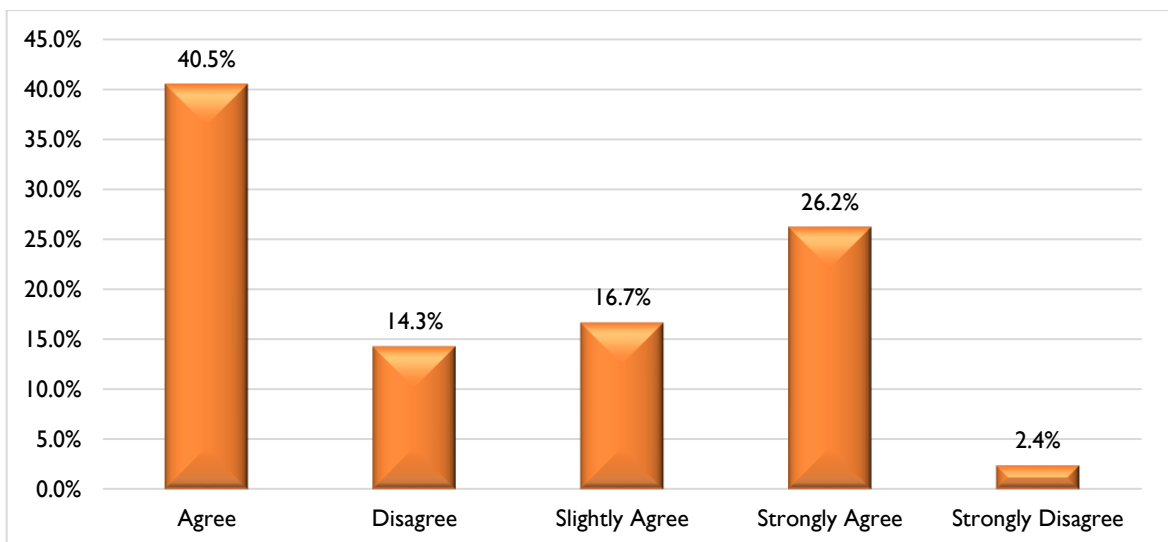


Figure 4.4 A company's agility and ability to adapt to change can be attributed to observing and reporting on ESG matters.

Agility and the ability to adapt to changing political, economic, social, and environmental changes are some of the key attributes needed for a company's long-term sustainability. According to Figure 4.4, 40.5 % of respondents agree that a company's agility and ability to adapt to change can be attributed to observing and reporting on ESG. In contrast, 2.4% strongly disagree with this statement while 26% strongly agree. It is not surprising therefore that, climate change, societal megatrends, and corporate governance scandals continue to dominate Boardroom topics with investors demanding enhanced transparency of corporate activities in companies they invest in (Pedros, 2020).

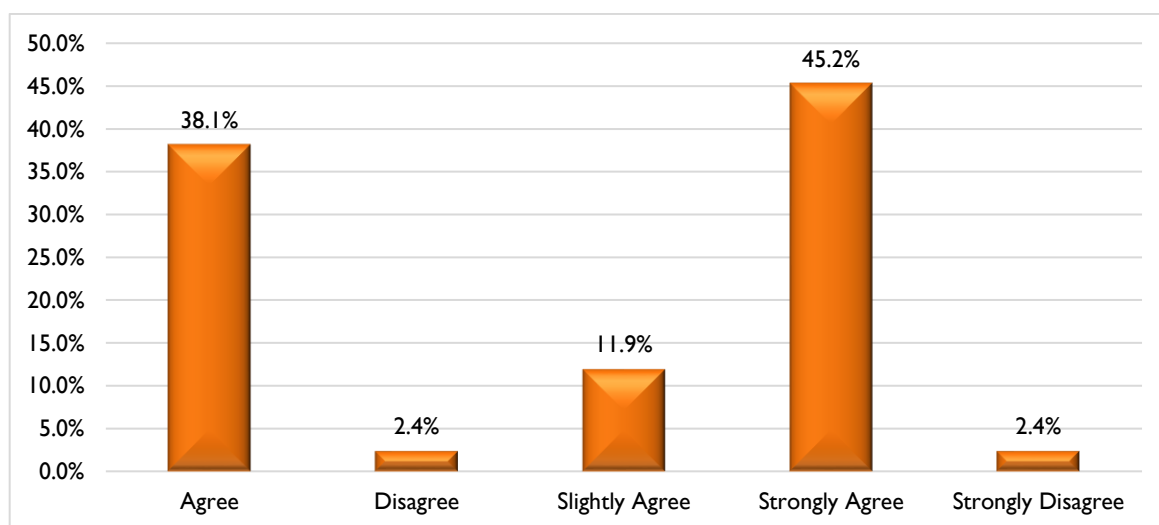


Figure 4.5 A company's agility and ability to adapt to change can be attributed to observing and reporting on ESG matters.

Arguably, a company's lifespan is closely related to its sustainability, however, the concept of sustainability has more depth as it incorporates all aspects of a company's operation while lifespan can be restricted to implying a company's existence. According to Figure 4.5, 45.2 % of respondents stated that they strongly agree that ESG integration results in a company's long-life span. In contrast, 2.4% of respondents state that they strongly disagree while another higher percentage, 38.1 agreed with the statement.

These sentiments are in line with an MSCI study that stated that many institutional investors are appreciating that their investment's long-term sustainability matters. The research study opines that ESG integration assists in addressing the disconnect that exists between the nature of their investments and the life span of the companies they invest in in the long term (Briand, Urwin, & Chia, 2011).

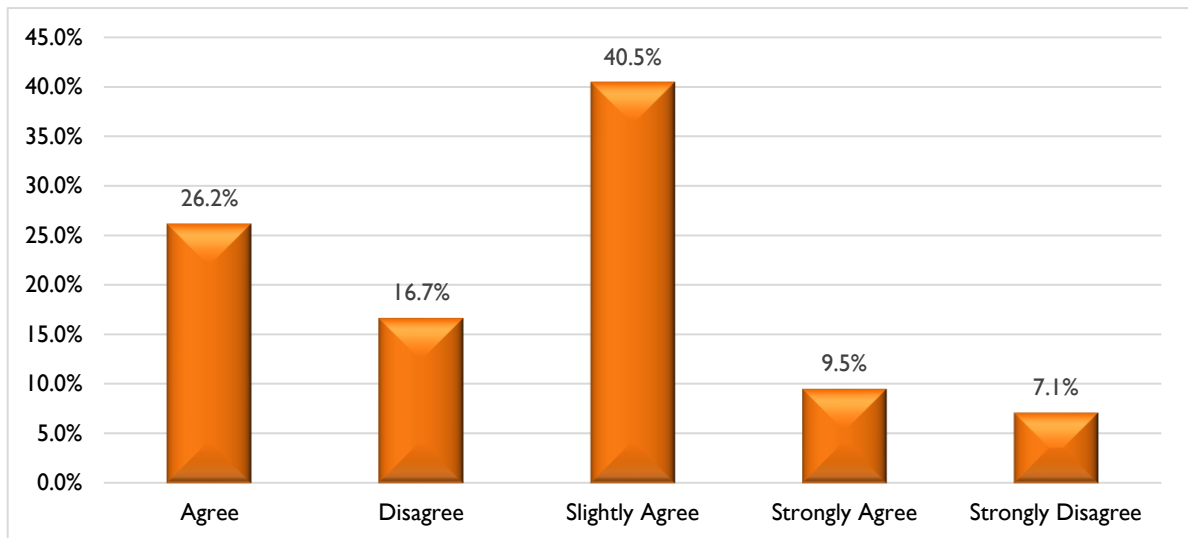


Figure 4.6 Companies that do not observe and report on ESG tend to have a shorter lifespan.

In contrast to Figure 4.5, 40.5% of the respondent's state that they slightly agree that companies that do not observe and report on ESG tend to have a shorter lifespan, 26 % agree that this is the case while only 7.1% disagree. According to PwC's Global Investor Survey conducted in 2021, while most investors take action such as voting against executive pay at the company's AGM where companies do not fully demonstrate their management of ESG risks and opportunities and lack of action in addressing the issues, there is also a view that postulates that they do not want a company's actions or lack thereof on ESG to meaningfully if at all, have an impact on their investment returns. Research suggests that investors are still trying to find a balance between their responsibility to humanity, and their commitment to their stakeholders which is to generate maximum expected returns (Kubilius & Vaitkė, 2022).

4.4 Relationship between ESG reporting and a company's financial performance.

This section presents data relating to the relationship between ESG reporting and a company's financial performance as opined by the 42 respondents.

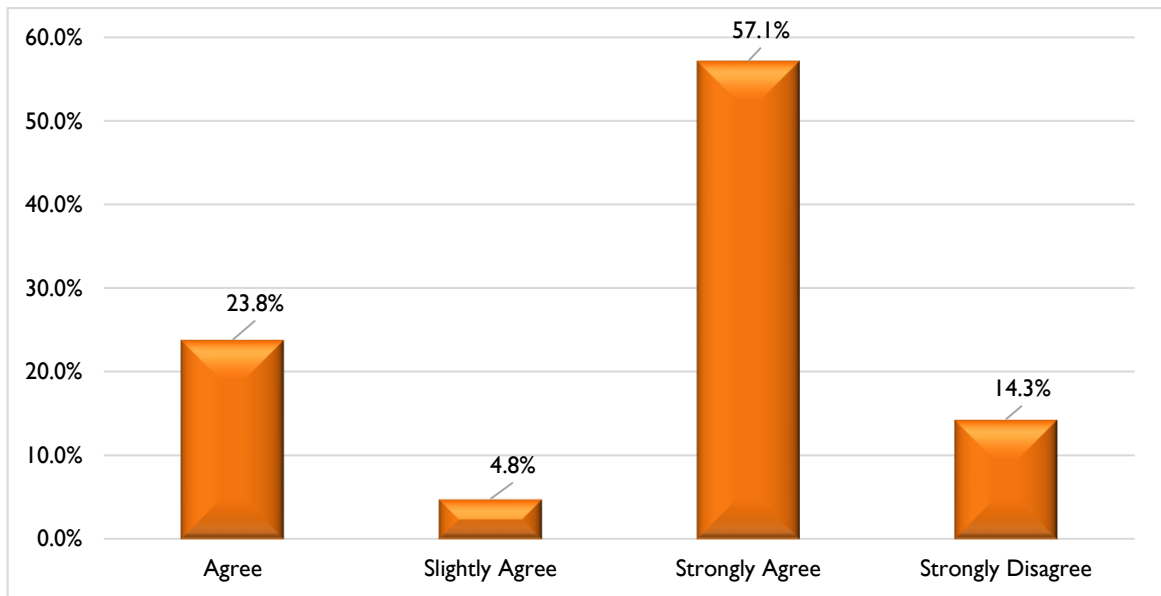


Figure 4.7 Integrating ESG in investment decisions making processes influences a company's long-term financial sustainability.

According to Figure 4.7, 57.1 % of respondents stated that they strongly agree that ESG integration influences a company's long-term financial sustainability. A further 23.8% stated that they agree, while 14.3% said they strongly disagree. In contrast with reviewed literature, empirical research, and studies have shown that over the last decade, institutional investors are taking ESG practices more seriously with the view that integrating ESG in investment analysis is central to better risk-adjusted returns. Broadstock et al. (2021) opined that ESG investments are considered to advance the performance of managed portfolios, increased returns and reduce portfolio risk (Broadstock, 2021).

ESG factors have been found to influence corporate financial performance such as operating costs, revenues, cash flows, profitability, and operating profit (Efimova, 2018). Lack of ESG integration harms companies through penalties for non-compliance with regulatory bodies and environmental costs (Efimova, 2018).

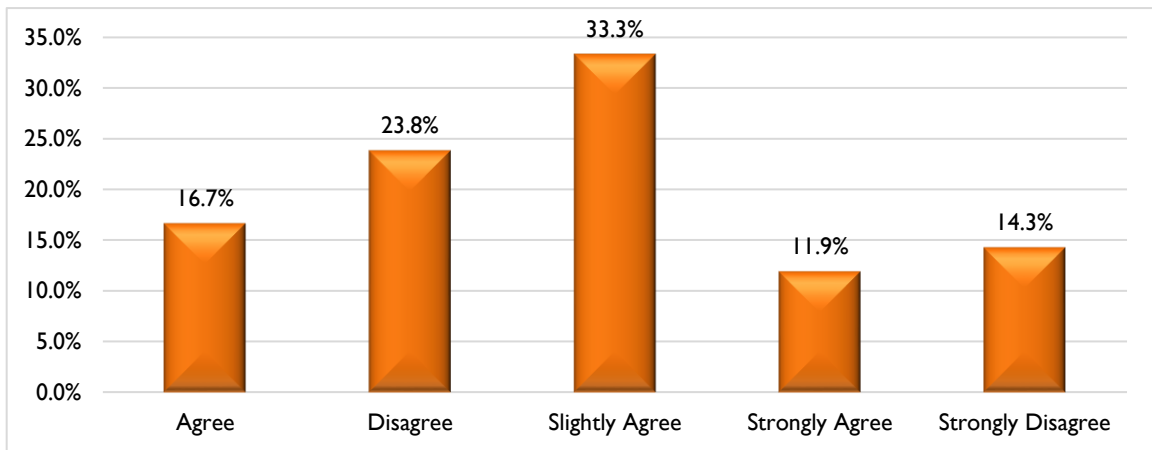


Figure 4.8 Investors should divest from companies that do not incorporate ESG practices in their investment decision making processes.

On whether investors should divest from companies that do not incorporate ESG practices in their investment decision-making process, the responses were unclear leaning towards any of the options with 33.3% responses slightly agreeing, while 23% disagreed, 16% agreed and 14.3% strongly disagreed. In contrast, a survey conducted by PricewaterhouseCoopers (PwC) specified that 79% of its respondents stated that ESG reporting was an imperative factor in their investment decision-making, while 49% indicated their willingness to divest from companies that lack sufficient interest in ESG issues (Chalmers, Cox, & Nadja, 2021). Another research study conducted by Johnson deduced that effective consideration and disclosure of ESG risks afford firms multiple investment opportunities (Johnson, 2020).

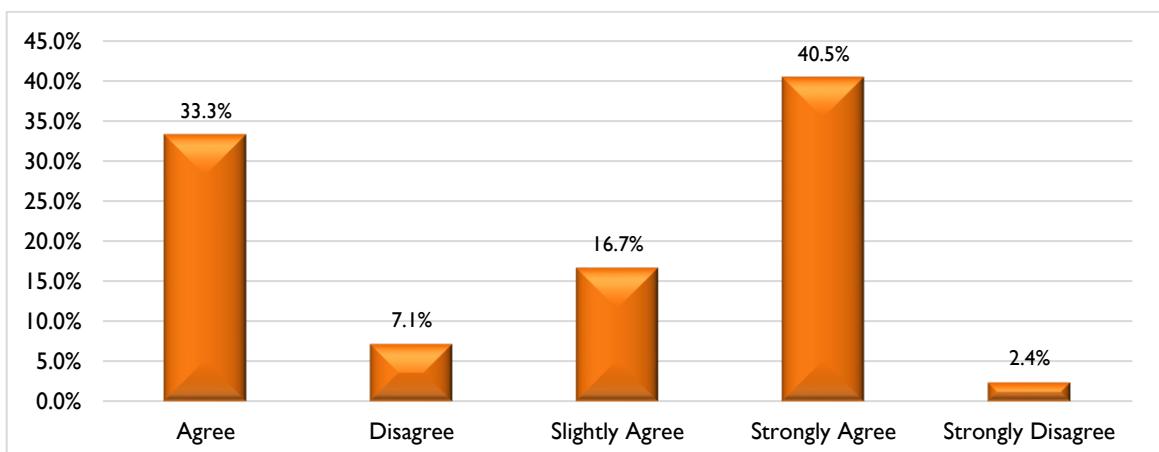


Figure 4.9 Companies with higher ESG performance scores create more value for shareholders.

Shareholders' main objective is to create value for their investment in a company, as such CEOs and management do what is required to meet this objective. Respondents were asked if companies with higher ESG performance scores created more value for shareholders; 40% strongly agreed, 33% agreed while only 2.4% strongly disagreed and 16.7% slightly agreed. Over the last decade, institutional investors have been taking ESG practices more seriously with the view that integrating ESG in investment analysis is central to better risk-adjusted returns. Empirical research deduced that a company's efforts in sustainability have the potential of improving and promoting the company's value and lead to differentiation and cost saving (Park & Jang, 2021).

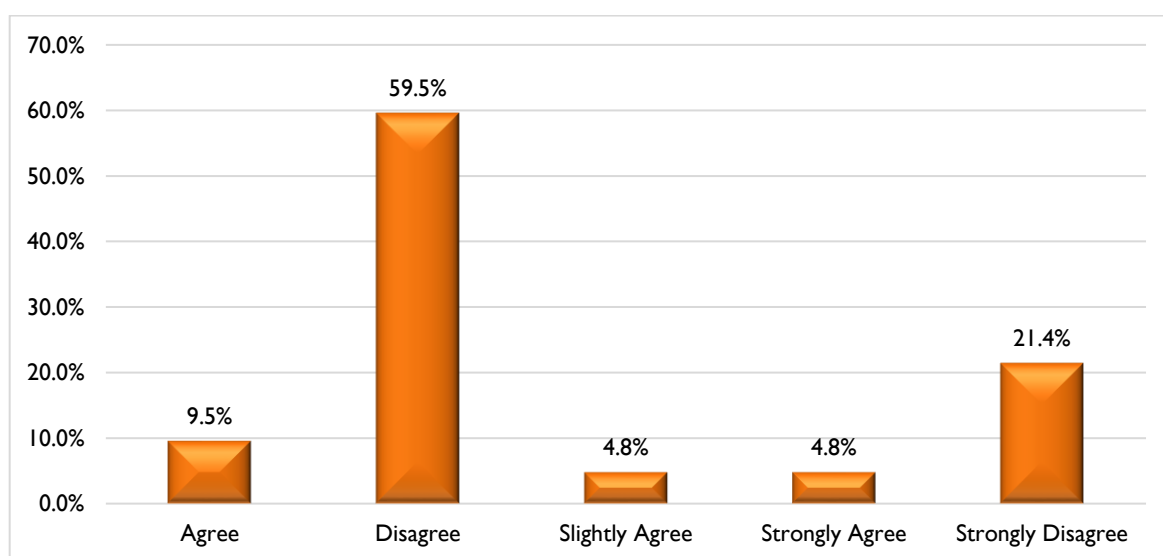


Figure 4.10 Investing in social causes leads to higher company costs which in turn leads to a lower Return on Investments (ROI).

One of the most considerations for any company is investments in non-core business, such as social and environmental causes. Such investments might look like waste and compromise a company's bottom line. In this case, the 42 respondents were asked to opine on the statement "if investing in social causes affects a company's return on investment negatively" 59.5% disagreed, 21.4% strongly disagreed and only 9.5% agreed with the statement. 59.5% agreed with a study that was conducted by Zhao et. al (2018) which established that good environmental performance and social performance have a positive effect on a company's financial performance (Zhao, et al., 2018). However, Friedman opines that investing in social causes leads to higher costs for the company, consequently, leading to a lower ROI (Friedman, 1970).

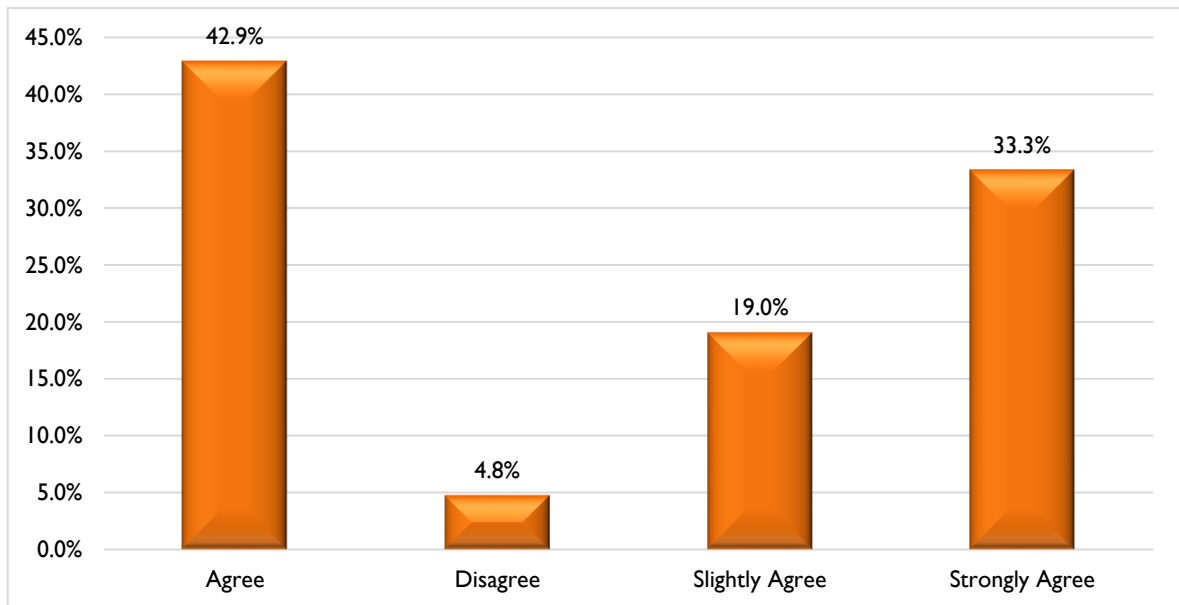


Figure 4.11 ESG performance has a positive effect on a company's value and Return on Assets (ROA).

To contrast the opinions made in Figure 4.10, respondents were asked to opine on the following statement “ESG performance has a positive effect on a company’s value and return on investment”. Similarly, 42.9% of respondents agreed with the statement, 33.3 % strongly agreed while 4.8% and 19% disagreed and slightly agreed respectively. This finding is consistent with the one expressed in Figure 4.10 and as found in the literature.

Whelan et al., (2021) surveyed 1000 companies and concluded that for 58% of the sampled companies, a positive relationship existed between ESG and financial performance, with a specific focus on financial metrics such as ROA, ROE, while 13% of the companies displayed a neutral impact, 21% echoed mixed results, while 8% showed a negative relationship. Furthermore, the study concluded that there was consensus among the assessed companies that proper management of ESG matters resulted in enhanced performance of metrics such as ROA, ROE, and company share price (Whelan, Atz, Van Holt, & Clark, 2021).

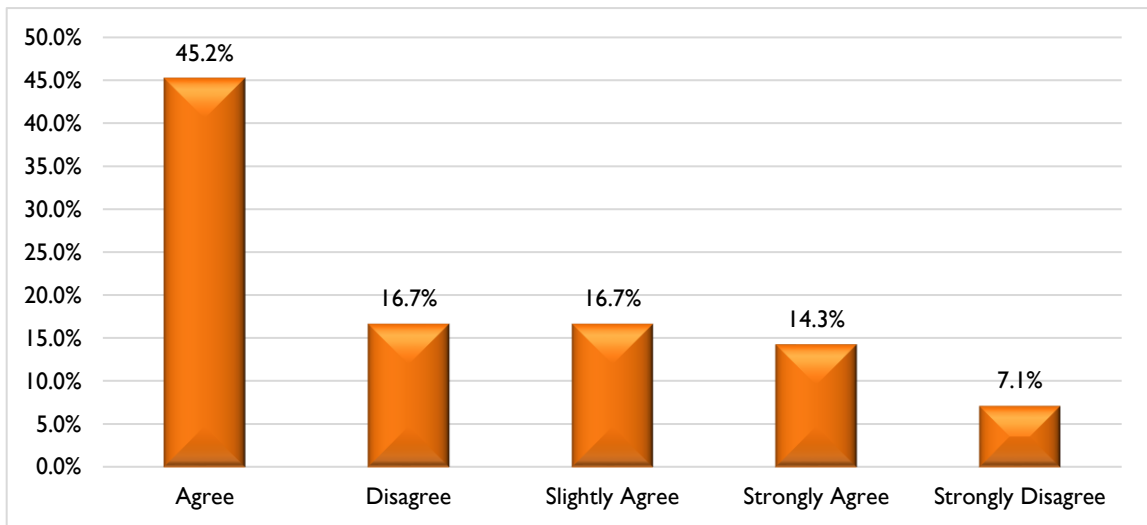


Figure 4.12 Companies that integrate ESG in their investment decision making processes outperform (financially) those that do not.

A comparative analysis of companies that integrate ESG and those that do not was made in Figure 4.12. 45.2 % of respondents agreed that companies that integrate ESG outperform those that do not financially. 7.1 strongly disagree while 16.7 disagree and an equal percentage slightly agree. However, according to Park and Jang, (2021), ESG-related controversies were proven to negatively impact a company's stock performance, while portfolios with severe ESG controversies performed relatively poor to those that had achieved better ESG scores (Park & Jang, 2021).

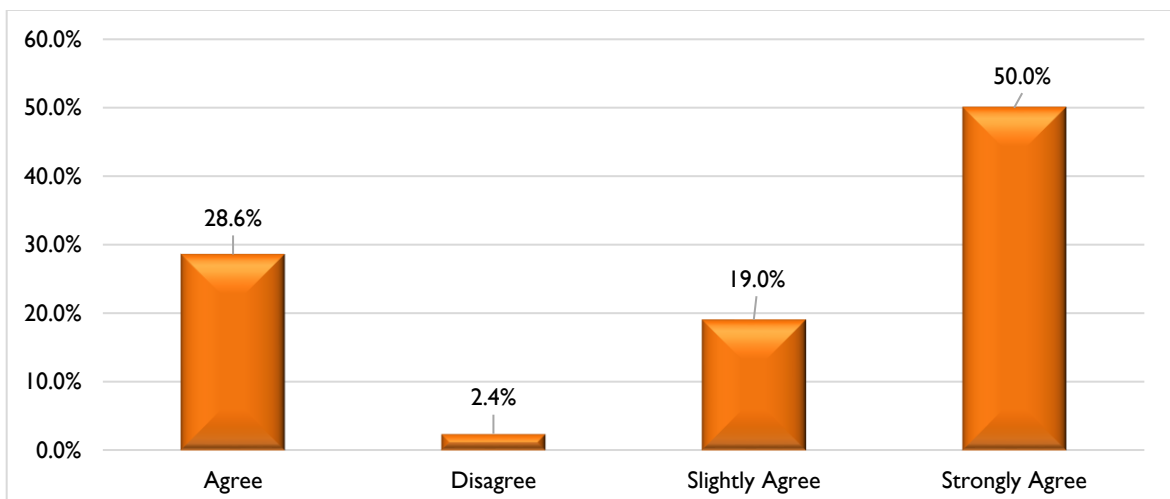


Figure 4.13: ESG Reporting improves a company's competitiveness and financial performance, and boosts stakeholder confidence.

Competitiveness, financial performance, and stakeholder confidence are perhaps the most important indicators of any company’s overall performance and sustainability. A convincing majority of 50% strongly agree with the statement in Figure 4.13, while 28.6% agree with the statement and only 2.4% disagree and 19% slightly agree. Bamahros et al. noted that integrating ESG integration assists in improving the coherence of sustainability-related risk management and long-term sustainability (Bamahros, et al., 2022). It has been established that sectors with good ESG performance have improved credibility and competitiveness, while their financial losses are also reduced owing to the positive correlation between a company’s financial performance and ESG reporting (Wu, Li, Du, & Li, 2022).

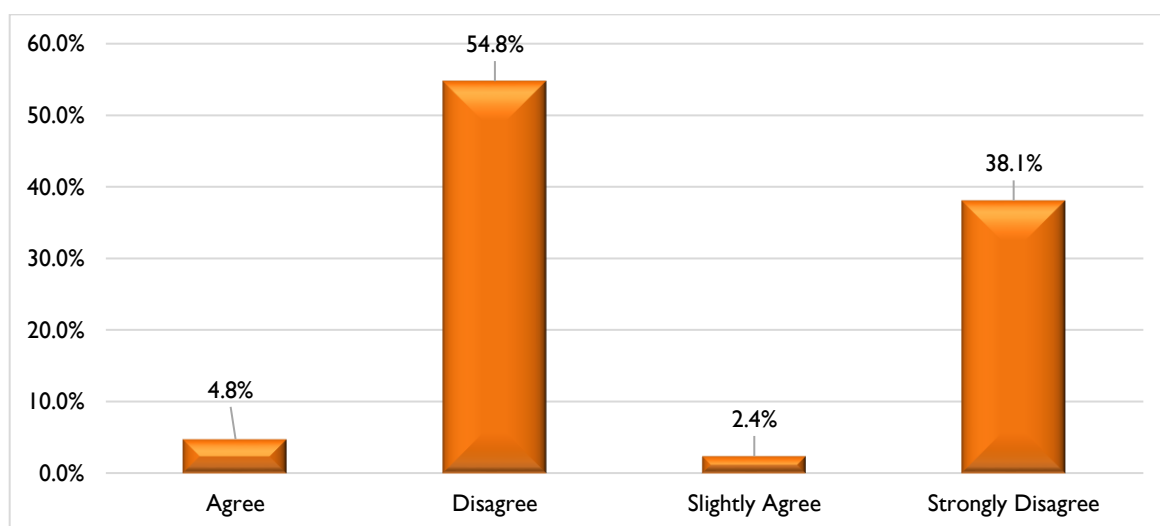


Figure 4.14 Integrating ESG in the investment decision making process means the company is sacrificing financial returns.

A contrasting statement to Figure 4.13 was made, "integrating ESG in the investment decision-making process means that a company is sacrificing financial returns" of which, 38.1% of the respondents strongly disagreed, 54.8% disagreed and only 4.8% agreed. This feedback is in line with findings made in the literature that stated that ESG considerations have a positive effect on the financial performance of a company with evidence displaying that high-value companies made more profits as compared to their counterparts that had not yet integrated ESG factors in their investment decision-making processes (Wu, Li, Du, & Li, 2022). Furthermore, it has been empirically validated that companies that have higher ESG scores perform better than those that have lower ESG scores in terms of their respective stock performance and fundamental financial metrics.

4.5 Inferential statistics: Mean, Standard deviation, Reliability, and Validity of instrument and constructs.

This section presents inferential statistics based on the above-analysed responses. Inferential statistics are often used to compare the differences between the treatment groups. Inferential statistics uses measurements from the sample of subjects in the experiment to compare the treatment groups and generalize about the larger population of subjects. In this case, the focus is on the measurement of the mean (cumulative average) standard deviation, reliability, and validity of constructs, responses, and instruments (survey).

Questions		n	%	Mean	Std. Deviation
Integrating ESG in investment decisions making processes influences a company's long-term financial sustainability.	Strongly Disagree	6	14,3%	4,10	1,394
	Disagree	0	0,0%		
	Slightly Agree	2	4,8%		
	Agree	10	23,8%		
	Strongly Agree	24	57,1%		
Neglecting Corporate Governance related issues causes major reputational damage for companies.	Strongly Disagree	2	4,8%	4,57	0,966
	Disagree	0	0,0%		
	Slightly Agree	2	4,8%		
	Agree	6	14,3%		
	Strongly Agree	32	76,2%		
Mandatory ESG disclosures for companies lead to long-term sustainability.	Strongly Disagree	3	7,1%	4,12	1,064
	Disagree	0	0,0%		
	Slightly Agree	3	7,1%		
	Agree	19	45,2%		
	Strongly Agree	17	40,5%		
Corporate Governance failures lead to lost revenue and exposes a company to litigation and regulatory fines.	Strongly Disagree	2	4,8%	4,43	1,016
	Disagree	1	2,4%		
	Slightly Agree	1	2,4%		
	Agree	11	26,2%		
	Strongly Agree	27	64,3%		

Questions		n	%	Mean	Std. Deviation
Investors should divest from companies that do not incorporate ESG practices in their investment decision making processes.	Strongly Disagree	6	14,3%	2,88	1,214
	Disagree	10	23,8%		
	Slightly Agree	14	33,3%		
	Agree	7	16,7%		
	Strongly Agree	5	11,9%		
Integrating ESG in investment decision making processes results in a company's long-life span.	Strongly Disagree	1	2,4%	4,21	0,925
	Disagree	1	2,4%		
	Slightly Agree	5	11,9%		
	Agree	16	38,1%		
	Strongly Agree	19	45,2%		
A company's agility and ability to adapt to change can be attributed to observing and reporting on ESG matters.	Strongly Disagree	1	2,4%	3,74	1,083
	Disagree	6	14,3%		
	Slightly Agree	7	16,7%		
	Agree	17	40,5%		
	Strongly Agree	11	26,2%		
Companies that observe and report on ESG operate in harmony with the communities they function in.	Strongly Disagree	0	0,0%	4,17	0,824
	Disagree	0	0,0%		
	Slightly Agree	11	26,2%		
	Agree	13	31,0%		
	Strongly Agree	18	42,9%		

Questions		n	%	Mean	Std. Deviation
Companies that do not observe and report on ESG tend to have a shorter lifespan due to lack of observing and reporting on ESG.	Strongly Disagree	3	7,1%	3,14	1,049
	Disagree	7	16,7%		
	Slightly Agree	17	40,5%		
	Agree	11	26,2%		
	Strongly Agree	4	9,5%		
Company integrated annual reports are useful for investors.	Strongly Disagree	2	4,8%	4,55	0,942
	Disagree	0	0,0%		
	Slightly Agree	1	2,4%		
	Agree	9	21,4%		
	Strongly Agree	30	71,4%		
Companies with higher ESG performance scores create more value for shareholders.	Strongly Disagree	1	2,4%	4,02	1,047
	Disagree	3	7,1%		
	Slightly Agree	7	16,7%		
	Agree	14	33,3%		
	Strongly Agree	17	40,5%		
Companies that integrate ESG in their due diligence processes achieved a positive Return on Equity (ROE).	Strongly Disagree	0	0,0%	3,95	0,661
	Disagree	0	0,0%		
	Slightly Agree	10	23,8%		
	Agree	24	57,1%		
	Strongly Agree	8	19,0%		

Questions		n	%	Mean	Std. Deviation
Investing in social causes leads to higher company costs which in turn leads to a lower Return on Investments (ROI).	Strongly Disagree	9	21,4%	2,17	1,034
	Disagree	25	59,5%		
	Slightly Agree	2	4,8%		
	Agree	4	9,5%		
	Strongly Agree	2	4,8%		
ESG performance has a positive effect on a company's value and Return on Assets (ROA).	Strongly Disagree	0	0,0%	4,05	0,854
	Disagree	2	4,8%		
	Slightly Agree	8	19,0%		
	Agree	18	42,9%		
	Strongly Agree	14	33,3%		
Companies that integrate ESG in their investment decision making processes outperform (financially) those that do not.	Strongly Disagree	3	7,1%	3,43	1,151
	Disagree	7	16,7%		
	Slightly Agree	7	16,7%		
	Agree	19	45,2%		
	Strongly Agree	6	14,3%		
ESG Reporting improves a company's competitiveness and financial performance, and boosts stakeholder confidence.	Strongly Disagree	0	0,0%	4,26	0,857
	Disagree	1	2,4%		
	Slightly Agree	8	19,0%		
	Agree	12	28,6%		
	Strongly Agree	21	50,0%		

Questions		n	%	Mean	Std. Deviation
ESG integration assists in minimizing a company's financial impact.	Strongly Disagree	2	4,8%	3,69	1,179
	Disagree	7	16,7%		
	Slightly Agree	4	9,5%		
	Agree	18	42,9%		
	Strongly Agree	11	26,2%		
Integrating ESG in the investment decision making process means the company is sacrificing financial returns.	Strongly Disagree	16	38,1%	1,74	0,734
	Disagree	23	54,8%		
	Slightly Agree	1	2,4%		
	Agree	2	4,8%		
	Strongly Agree	0	0,0%		

The maxim Mean score was 5, a score closer to 5 meant a higher agreement by respondents on that construct (statement) while a higher standard deviation score indicated high variability amongst responses on that construct (statement).

4.5.1 Reliability - Cronbach's Alpha results

Cronbach's alpha is a reliability coefficient that measures the internal consistency of a set of scales or test items in the data set. It is considered a measure of scale reliability, that is, how closely related a set of questions are as a group/construct and is one way of measuring the strength of that consistency.

An internal consistency test was performed on the **questions** by conducting the test for all questions in Table 1 above. The reliability value has been considered as acceptable with a Cronbach's alpha value of 0.839 (see table below). This simply means that the items have shared covariance and measure the same underlying concept.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,839	0,834	18

4.5.2 Validity - Kaiser-Meyer-Olkin (KMO) results

The Kaiser-Meyer-Olkin (KMO) test measures the suitability of data for Factor Analysis. "The test measures sampling adequacy for each variable in the model and the complete model" (PHAM, 2020). "The statistic is a measure of the proportion of variance among variables that might be common variance" (PHAM, 2020). The lower the proportion, the more suitable the data is to Factor Analysis. The KMO test yields values between 0 and 1; therefore, KMO values between 0.8 and 1 indicate adequate sampling. The table below presents the KMO results. For measuring sample adequacy, the combined scores for all the **questions** show a value of 0.697, thus, above the recommended value of 0.5 (Field, 2014).

KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0,697

Bartlett's test for sphericity results

Bartlett's test of sphericity tests the hypothesis that the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and, therefore, unsuitable for structure detection. Bartlett's test of sphericity compares an observed correlation matrix to the identity matrix. The null hypothesis for the test is that variables are not correlated. The alternative hypothesis is that the variables are correlated (Field, 2014).

The results for Bartlett's Test of Sphericity are statistically significant when the p-value is less than 0.001. Therefore, we reject the null hypothesis. That means the question is suitable for a data reduction technique.

Bartlett's Test of Sphericity	Approx. Chi-Square	462,791
	df	153
	Sig.	0,000

4.5 Conclusion

This chapter sought to present and analyse data that was collected in line with the study's objectives, proposition and aim to answer the posed research purpose and aim. A survey was used to collect data from an eventual 42 investment professionals. The prevailing view of respondents and literature studies is that investors have taken an active interest and seek to have their value systems and priorities reflected in their investment portfolios. Consequently, companies are encouraged to integrate ESG in their investment decision-making processes to secure a company's sustainability and financial performance. The Following Chapter presents a summary of findings, recommendations, and conclusion.

Chapter 5: Summary of findings, recommendations, and conclusion of the study

5.1 Introduction

This final chapter presents a summary of findings made from responses to the survey together with a literature review. The chapter will further make recommendations that are informed by the overall findings, the recommendations focused on the business case as well as an academic context. Finally, a conclusion of the study will be made, the conclusion pays attention to the initial background of the study, the literature that was reviewed, gaps identified, the methodology, challenges, and successes in that regard, and finally data analysis and overall findings.

5.2 Summary of findings

This study observed the impact that ESG reporting frameworks have on practices in JSE listed companies. The literature review placed focus on the genesis of the principle of ESG and its evolution. Companies are required to disclose their financial material issues in terms of the JSE's listings requirements. It is the view of the JSE that companies should respond to the rapidly changing landscape of ESG reporting, sustainability standards and frameworks. To this effect, new ESG-related disclosures have been introduced to bolster company disclosures. Existing research on ESG disclosures and reporting permeates that the inconsistencies of rating matrices make it difficult to measure and compare how companies' fair relative to peers.

The study employed the descriptive quantitative method to analyse the data that was collected from the respondents. The main objective of this study was to determine the impact of the ESG reporting framework on practices in JSE-listed companies. This study encompassed a quantitative approach due to the complexity of the research questions and the need to explore the various factors. A structured survey/questionnaire was adopted to collect data from the identified respondents. Structured questionnaires were presented to respondents with the exact wording following the same order to ensure uniform responses.

The findings of the study are contextualized within the two proposed propositions:

5.2.1 There is a positive relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.

Based on the responses of the 42 respondents and the literature review, the general opinion is that the integration of ESG in investment decision-making processes contributes to the long-term sustainability of a company. This was expressed through ratings of various statements made by the researcher where the respondents either *Agreed, Disagreed, Slightly Agreed, or Strongly Agreed*. In total, there were Four such statements, and the overall or aggregate finding on these statements is that ESG is critical for the sustainability of a company.

5.2.2 There is a positive relationship between ESG reporting and a company's financial performance.

There were Eight varying and contrasting statements made in the context of ESG reporting and its impact on a company's financial performance. The overall findings both based on the survey and literature review illustrate that by far, most respondents strongly agree that integrating ESG in investment decision-making processes improves various company financial performance indicators.

5.2.3 Inferential statistics

The inferential statics based on all constructs (statements) were made, focusing on the mean score, standard deviation, reliability, and validity of responses. In this case, the maxim mean score was 5, a score close to 5 meant higher agreement by respondents on that construct (statement) while a higher standard deviation score indicates high variability amongst responses on that construct (statement).

The survey has 18 constructs (statements), 15 scored a mean of above 3 with 10 scoring above 4. This implies the 42 respondents rated the statements with agree and strongly agree. The measured reliability value has a Cronbach's alpha value of 0.839, thus acceptable. With regards to validity, the KMO for measuring sample adequacy for all the combined scores of the posed questions illustrates a value of 0.697, thus, above the recommended value of 0.5. The Bartlett's Test of Sphericity results are statistically

significant with a p-value of less than 0.001. Therefore, the null hypothesis is rejected. Accordingly, the questions are suitable for a data reduction technique.

5.3 Recommendations

5.3.1 Recommendations for business

ESG is a growing phenomenon and constantly evolving with more frameworks becoming available, and reporting requirements being adjusted to incorporate ESG in investment decision making processes. Empirical studies delineated that ESG incorporation into business strategy is not only good for a company's bottom-line financial performance, but also assists in positioning a company's long-term sustainability, including but not limited to coping with external risks such as climate change, corporate governance and being better corporate citizens.

Investors and stakeholders require full disclosure of companies' operations from both a financial and non-financial perspective to make informed decisions on the sustainability of a company and long-term value creation. Notably, progress has been made with companies becoming more transparent to their different stakeholders concerning the different risks and opportunities they face through the adoption of these various ESG disclosure guidelines and frameworks. The JSE Sustainability Disclosure and Climate Change Disclosure Guidelines should be considered by companies as a starting point for bolstering ESG reporting.

Based on the findings of this study, most respondents are in high agreement that companies should integrate ESG in their investment decision-making process. However, some are of the view that ESG would negatively impact the company's financial performance as it will require capital, time, and human resources. According to the literature review, those who hold this view see ESG reporting as a non-business activity and destructive to core business functions.

Based on this study, it is recommended that managers and CEOs bolster ESG education in their businesses amongst all employees, stakeholders, and concerned shareholders. Moreover, Boards of companies and Executive Management should place focus on those ESG aspects that makes the most business sense. This will enable companies to

concentrate on issues that are more material to them, ultimately leading to financial outperformance.

5.3.2 Recommendations for further research

This study will contribute to the developing and growing requirement of ESG disclosures and reporting, and the impact this has on the sustainability of companies. Considering the current ESG landscape, there is an overall lack of standardized ESG reporting framework. ESG reporting is still voluntary and yet to be mandated by regulatory bodies and the JSE. The absence of a universal reporting framework continues to be a challenge for companies in so far as their disclosure journey is concerned. This provides companies with a degree of flexibility in selecting what to report on within the frameworks delineated topics based on what they deem material for their respective business.

There are different schools of thought in so far as the implementation of a universal framework is concerned. There is a view that postulates that the lack of standardization and oversight in the ESG reporting landscape creates an opportunity for greenwashing. There is also a view that suggests that mandating uniform ESG disclosure reporting frameworks presents implementation challenges. This is against the backdrop that materiality of specific ESG information will be dependent on company-specific attributes such as industry and business model.

This study collected data from one company with a sample of 42 using a survey (quantitative). It is recommended that a broader study, with a larger sample from multiple companies, preferably a mix of private and public companies be surveyed, and quantitative methods are mixed to gain more depth on the opinions of respondents.

There is growing emphasis on ESG performance from asset owners, asset managers and stakeholders. Future research should place more focus on the impact that a standardized ESG reporting framework and mandatory disclosure has on companies. Currently, the world of ESG reporting is a plethora of frameworks with more than 600 ESG reporting frameworks in use. This will assist in providing consistency and comparability in ESG reporting and address the proliferation of ESG standards while reducing fragmentation.

5.4 Conclusion of the study

This study was premised on the backdrop of the growing realization that there is a need for improved ESG integration by companies in their investment decision-making processes. The assumption as proposed by the author is that integrating and reporting on ESG will result in the company's long-term sustainability and improved financial performance. In the literature, there were varying and contrasting views from scholars who researched the topic. Some of those views are that ESG is not a core business practice, as such can and has been seen as a distraction from daily business practices, while it consumes capital, time, and human resources that could otherwise be implemented to improve business performance. It then became necessary for the researcher to pose two propositions, one that tested ESG integration to a company's long-term sustainability and the other on integrating ESG and its impact on a company's financial performance.

To test these, the researcher had to consider the most effective methodology and methods that would meet acceptable test standards. The options were qualitative, mixed methods, or quantitative. With all factors considered, factors such as time, resources, skills, knowledge of the researcher in the field, and budgets, the researcher chose to use a quantitative methodology and a case study design. The total population at the chosen company was 100, and a participating sample of 42 was reached. A survey with 18 constructs was sent via the company's email databases and all collected data was analysed. In addition, inferential statistics were performed to measure aggregate response patterns on the 18 constructs and to further measure the validity and reliability of responses and findings.

The findings displayed that, the 42 respondents are in high agreement that integrating ESG in investment decision-making processes results in long-term sustainability and improved financial performance of such a company. Literature showed that shareholders, stakeholders, and communities value companies that integrate ESG reporting into their core business practice.

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Annexures

Annexure 1: Clearance Certificate

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg



Wits Business School Ethics Committee

Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2508960/569

This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

This certificate is only valid if accompanied by formal permission from the relevant stakeholder(s).

Project title	Impact of the environmental, social and governance reporting framework on practices in JSE listed companies
Investigator / Researcher	Ms Nyanisi Manyike
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.
Issue Date of Certificate	2022-09-01
Expiry date	Date of submission of the project / research report
Chairperson	Prof Anthony Stacey ☎ +27 11 717 3587 ☎ +27 82 880 4531 ✉ anthony.stacey@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

8 September 2022

Date:

Annexure 2: Survey

Section A: The relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.

Statements	Strongly Disagree	Disagree	Slightly Agree	Agree	Strongly Agree
Integrating ESG in investment decisions making processes influences a company's long-term financial sustainability.	1	2	3	4	5
Neglecting Corporate Governance related issues causes major reputational damage to companies.	1	2	3	4	5
Mandatory ESG disclosures for companies lead to long-term sustainability.	1	2	3	4	5
Corporate Governance failures lead to lost revenue and expose a company to litigation and regulatory fines.	1	2	3	4	5
Investors should divest from companies that do not incorporate ESG practices in their investment decision-making processes.	1	2	3	4	5
Integrating ESG in investment decisions making processes results in a company's long-life span.	1	2	3	4	5
A company's agility and ability to adapt to change can be attributed to observing and reporting on ESG matters.	1	2	3	4	5
Companies that observe and report on ESG operate in harmony with the communities they function in.	1	2	3	4	5
Companies that do not observe and report on ESG tend to have a shorter lifespan due to a lack of observing and reporting ESG.	1	2	3	4	5
Company-integrated annual reports are useful for investors.	1	2	3	4	5
Companies with higher ESG performance scores create more value for shareholders.	1	2	3	4	5

Section B: The relationship between ESG reporting and a company's financial performance.

Statements	Strongly Disagree	Disagree	Slightly Agree	Agree	Strongly Agree
Companies that integrate ESG in their due diligence processes achieved a positive Return on Equity (ROE).	1	2	3	4	5
Investing in social causes leads to higher company costs which in turn leads to a lower Return on Investment (ROI).	1	2	3	4	5
ESG performance has a positive effect on a company's value and Return on Assets (ROA).	1	2	3	4	5
Companies that integrate ESG in their investment decision-making processes outperform (financially) those that do not.	1	2	3	4	5
ESG Reporting improves a company's competitiveness and financial performance and boosts stakeholder confidence.	1	2	3	4	5
ESG integration assists in minimizing a company's financial impact,	1	2	3	4	5
Integrating ESG in the investment decision-making process means the company is sacrificing financial returns.	1	2	3	4	5

Annexure 3: Consistency Matrix

Main Objective: To explore the impact of the ESG reporting framework on practices in JSE listed companies					
Sub-problem	Literature Review	Hypotheses or propositions or questions	Source of data	Type of data	Analysis
To explore the integration of ESG in investment decision making processes.	Reference was made to management theories, literature, best market practice ESG frameworks, guidelines, and empirical research studies.	<i>There is a positive relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.</i>	Survey/questionnaire questions will be distributed to participants in words using a Likert scale method.	Ordinal	Descriptive statistics will be used to analyse data and the SPSS data analysis software system.

Main Objective: To explore the impact of the ESG reporting framework on practices in JSE listed companies

Sub-problem	Literature Review	Hypotheses or propositions or questions	Source of data	Type of data	Analysis
To explore the integration of ESG in investment decision making processes.	Reference was made to management theories, literature, best market practice ESG frameworks, guidelines, and empirical research studies.	<i>There is a positive relationship between integrating ESG in investment decisions making processes and the long-term sustainability of a company.</i>	Survey/questionnaire questions will be distributed to participants in words using a Likert scale method.	Ordinal	Descriptive statistics will be used to analyse data and the SPSS data analysis software system.