

**UNIVERSITY OF KWAZULU-NATAL**

**An evaluation of corporate sustainability and financial performance for  
JSE listed companies in the food and drug retail sector**

**by**

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## DECLARATION

I, Vanessa Margaret Gregory, declare that

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Signed: ...  ..

## ACKNOWLEDGEMENTS

In loving memory of my mom, Margaret Lindsay, who passed peacefully on 16 October 2022.

I dedicate this thesis to:

My Lord and Saviour, Jesus Christ, who gave me strength and courage to continue and complete the works and to grow through the process.

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Vanessa Gregory

## ACRONYMS

AFS	Annual financial statements
AGM	Annual general meeting
AIR	Annual integrated report
AMPS	All media and products surveys
BBBEE	Broad-based black economic empowerment
CC	Conscious Capitalism
CEO	Chief executive officer
CLI	Clicks
Cont	Contents
CSI	Corporate social investment
CSR	Corporate social responsibility
EMS	Entity Maximisation and Sustainability
F	Frequencies of mentions
Fin	Explanation of financial information
Gov	Governance information
GP%	Gross profit percentage
GRI	Global Reporting Initiative
HIV/AIDS	Human immunodeficiency virus / Acquired immunodeficiency syndrome
IIRC	International Integrated Reporting Council
JSE	Johannesburg Securities Exchange
NP%	Net profit percentage
P	Pages per section

PNP	Pick n Pay
Rep	Reports
ROA	Return on assets
ROCE	Return on capital employed
ROE	Return on equity
SAICA	South African Institute of Chartered Accountants
SASB	Sustainability Accounting Standards Board
Sh	Shareholder information
SHP	Shoprite
SRI	Sustainability reporting index
Strat/Sus	Information of strategy and sustainability considerations

## ABSTRACT

There has been a recent influx of research into integrated reporting and the degree of sustainability reporting in such reports. South Africa has become a key country of interest following the mandating of King III application for JSE-listed companies and the literature reviewed showed that the food and drug retail sector was particularly unexplored. This Doctor of Business Administration via publication examined annual integrated reports for companies within this sector to conclude on financial performance and the prominence of corporate sustainability reporting therein. Four objectives were addressed through four separate articles: 1) To use content analyses of integrated reports to identify the purpose of a company; 2) To create an analysis technique in which company purpose and financial performance (depicted through profitability) can be portrayed concurrently to stakeholders; 3) To explore the development of integrated reporting, and 4) To quantify and analyse the degree of sustainability reporting within integrated reports. The methodology adopted a mixed methods approach using quantitative and qualitative content analysis to identify company purpose, analyse integrated report development and arrive at sustainability indices, and ratio analysis to determine company profitability. It was first confirmed that annual integrated reports presented the Entity Maximisation and Sustainability Model as the company's purpose. Thereafter an analysis technique was created, referred to as the purpose-profitability pentagon analysis, resulting in company purpose and profitability being presented in a single setting. The composition of the integrated reports was then analysed, revealing notable shifts in their presentation, with a common decrease in financial statement information and an increase in governance, strategy and sustainability information. Finally, the calculated sustainability indices showed that sustainability information for three of the four companies (Clicks being the exception) increased, but there was room for improvement in the quality of sustainability reporting within the integrated report. The compilation of all four articles contributes to the body of knowledge on integrated reporting, sustainability reporting and profitability and has created a platform for the studies to be applied to other JSE sectors. It is recommended that other JSE sectors are analysed using these techniques for a cross-industry analysis to expand the research base.

## TABLE OF CONTENTS

DECLARATION.....	i
ACKNOWLEDGEMENTS.....	ii
ACRONYMS.....	iii
ABSTRACT .....	v
TABLE OF CONTENTS .....	vi
LIST OF TABLES.....	xi
LIST OF FIGURES .....	xii
CHAPTER 1: INTRODUCTION .....	1
1.1 INTRODUCTION AND BACKGROUND .....	1
1.2 LITERATURE OVERVIEW .....	3
1.2.1 Company Purpose.....	3
1.2.2 Reporting .....	5
1.2.3 Financial performance .....	9
1.3 PROBLEM STATEMENT.....	11
1.4 AIMS AND OBJECTIVES .....	12
1.5 RESEARCH METHODOLOGY .....	13
1.5.1 Research design .....	13
1.5.2 Population and sample selection.....	15
1.5.3 Data collection.....	17
1.5.4 Data analysis.....	17
1.5.5 Quality of research.....	20
1.5.6 Ethical considerations.....	21
1.6 LIMITATIONS .....	21
1.7 STRUCTURE OF THE THESIS .....	22

CHAPTER 2: JSE LISTED COMPANIES IN THE FOOD AND DRUG RETAIL SECTOR: A CONTENT ANALYSIS OF FINANCIAL STATEMENTS TO DETERMINE THEIR PRIMARY PURPOSE .....	25
ABSTRACT .....	25
2.1 INTRODUCTION .....	26
2.2 LITERATURE REVIEW .....	27
2.2.1 Neoclassical Model.....	27
2.2.2 Conscious Capitalism (CC) .....	29
2.2.3 Entity Maximisation and Sustainability (EMS).....	31
2.3 RESEARCH METHODOLOGY .....	34
2.4 FINDINGS AND DISCUSSIONS .....	35
2.4.1 Spar.....	35
2.4.2 Pick n Pay .....	39
2.4.3 Shoprite.....	43
2.4.4 Clicks .....	46
2.5 CONCLUSION .....	49
2.6 LIST OF REFERENCES.....	50
CHAPTER 3: JSE FOOD AND DRUG RETAIL SECTOR: A PURPOSE-PROFITABILITY PENTAGON ANALYSIS.....	56
ABSTRACT .....	56
3.1 INTRODUCTION .....	57
3.2 LITERATURE REVIEW .....	58
3.2.1 Primary purpose of a company .....	58
3.2.2 Profitability Analysis .....	60
3.3 RESEARCH METHODOLOGY .....	62
3.4 RESULTS AND DISCUSSION.....	63
3.4.1 Content analysis.....	63
3.4.2 Profitability analysis and ranking.....	66

3.5 CONCLUSIONS .....	74
3.6 REFERENCES .....	75
CHAPTER 4: INTEGRATED REPORT CONTENT EVOLUTION: A CASE STUDY OF THE JSE FOOD AND DRUG RETAIL SECTOR .....	85
ABSTRACT .....	85
4.1 INTRODUCTION .....	86
4.2 LITERATURE REVIEW .....	87
4.2.1 King codes .....	88
4.2.2 Global reporting initiative .....	89
4.2.3 International integrated reporting council framework.....	89
4.2.4 Impact of guidelines on annual integrated reports.....	90
4.3 RESEARCH METHODOLOGY .....	94
4.4 RESULTS.....	98
4.4.1 Annual financial statements.....	102
4.4.2 Reports.....	102
4.4.3 Contents and pictures.....	103
4.4.4 Financial explanations .....	103
4.4.5 Governance information .....	104
4.4.6 Shareholder information .....	105
4.4.7 Strategy and sustainability information.....	106
4.4.8 Overall analyses.....	107
4.5 RECOMMENDATIONS AND CONCLUSIONS.....	108
4.6 REFERENCES .....	110
CHAPTER 5: AN ANALYSIS OF SUSTAINABILITY REPORTING OF JSE LISTED COMPANIES IN THE FOOD AND DRUG RETAIL SECTOR .....	116
ABSTRACT .....	116
5.1 INTRODUCTION .....	117
5.2 LITERATURE REVIEW .....	118

5.2.1 Sustainability reporting developments .....	118
5.2.2 Degree of sustainability reporting .....	119
5.3 RESEARCH METHODOLOGY .....	124
5.4 RESULTS .....	126
5.4.1 Dichotomous scale versus Likert scale.....	127
5.4.2 Overall score.....	129
5.4.3 General dimension.....	133
5.4.4 Economic dimension .....	134
5.4.5 Social dimension.....	134
5.4.6 Environmental dimension.....	136
5.5 CONCLUSIONS AND RECOMMENDATIONS.....	137
5.6 REFERENCES .....	139
CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS .....	144
6.1 INTRODUCTION .....	144
6.2 SUMMARY OF FINDINGS AND RESULTS.....	145
6.2.1 Objective one: To use content analyses of integrated reports to identify the purpose of a company.....	146
6.2.2 Objective two: To create an analysis technique in which company purpose and financial performance (depicted through profitability) can be portrayed concurrently to stakeholders .....	147
6.2.3 Objective three: To explore the development of integrated reporting.....	148
6.2.4 Objective four: To quantify and analyse the degree of sustainability reporting in integrated reports .....	150
6.2.5 Overall purpose: Conclusions on financial performance and the prominence of corporate sustainability reporting therein .....	151
6.3 CONTRIBUTION OF THE STUDY .....	152
6.4 RECOMMENDATIONS FOR FUTURE RESEARCH .....	153
CONSOLIDATED LIST OF REFERENCES.....	156

APPENDIX A: SCORING INDEX.....	181
APPENDIX B: ETHICAL CLEARANCES .....	197
Paper 1 .....	197
Paper 2 .....	198
Paper 3 .....	199
Paper 4 .....	200
Full study (thesis) .....	201

## LIST OF TABLES

Table 1.1: Comparison of sustainability and integrated reporting .....	5
Table 1.2: Food and drug retail sector – sample selection .....	17
Table 2.1: Spar stakeholder frequencies from 2010 to 2014.....	36
Table 2.2: Spar performance statistics from 2010 to 2014.....	37
Table 2.3: Spar CSR spending from 2010 to 2014.....	38
Table 2.4: Spar environmental initiatives from 2011 to 2014.....	38
Table 2.5: Spar sustainability frequencies from 2010 to 2014.....	39
Table 2.6: Pick n Pay stakeholder frequencies from 2010 to 2014 .....	40
Table 2.7: Pick n Pay performance statistics from 2010 to 2014 .....	41
Table 2.8: Pick n Pay CSR/CSI spending from 2010 to 2014.....	42
Table 2.9: Pick n Pay Environmental Initiatives from 2010 to 2014 .....	42
Table 2.10: Pick n Pay sustainability frequencies from 2010 to 2014 .....	43
Table 2.11: Shoprite Stakeholder frequencies from 2010 to 2014 .....	43
Table 2.12: Shoprite internal inflation versus official food inflation from 2010 to 2014 .....	44
Table 2.13: Shoprite performance statistics from 2010 to 2014.....	45
Table 2.14: Shoprite sustainability frequencies from 2010 to 2014.....	46
Table 2.15: Clicks stakeholder frequencies from 2010 to 2014.....	47
Table 2.16: Clicks performance statistics from 2010 to 2014.....	48
Table 3.1: Content analysis of financial statements, 2010 to 2014 .....	60
Table 3.2: Stakeholder frequencies from 2009 to 2018.....	65
Table 3.3: Profitability ratios and descriptive statistics (2009 to 2018).....	68
Table 3.4: Profitability scoring and ranking (2009 to 2018) .....	69
Table 4.1: Summary of studies on the impact of integrated reporting guidelines in South Africa .....	91
Table 4.2: Seven key areas in annual integrated reports .....	97
Table 4.3: Annual integrated report composition: Pick n Pay, Shoprite, Spar and Clicks.....	99
Table 4.4: Descriptive statistical analyses of page numbers: Pick n Pay, Shoprite, Spar and Clicks ..	101
Table 4.5: Governance reports: Pick n Pay, Shoprite, Spar and Clicks.....	105
Table 5.1: Summary of studies using content analyses and sustainability indices for analysis .....	120
Table 5.2: Cronbach alpha scores .....	126
Table 5.3: Likert and dichotomous scale comparison .....	128
Table 5.4: Descriptive statistical analyses of sustainability scores .....	130
Table 5.5: Scores in the social dimension after excluding unrepresented criteria.....	135
Table 5.6: Scores in the environmental dimension after excluding unrepresented criteria.....	136

## LIST OF FIGURES

Figure 1.1: GRI history.....	6
Figure 1.2: Integrated reporting milestones: 25 years of excellence.....	8
Figure 3.1: Purpose-profitability pentagon analysis.....	73
Figure 4.1: Number of pages in annual integrated reports from 2009 to 2018 .....	96
Figure 4.2: Graphical depiction of the composition of annual integrated reports (percentage of total pages): Pick n Pay, Shoprite, Spar and Clicks.....	100
Figure 5.1: Overall sustainability score using Likert and Dichotomous scale .....	127
Figure 5.2: Sustainability scores per dimension using a Dichotomous scale.....	131
Figure 5.3: Sustainability scores per dimension using a Likert scale.....	132

# CHAPTER 1

## INTRODUCTION

### 1.1 INTRODUCTION AND BACKGROUND

Accounting research has grown over the last two decades, as is evident by an increase in the number of publications in several academic journals (Baker et al., 2023; di Vaio et al., 2021; Lakhani and Herbert, 2022; Vysochan et al., 2021; Waweru, Peng and Hopper, 2023). Within these publications, several areas have been highlighted as trending areas. The first area of interest relates to investigating approaches followed when running businesses with conclusions on what the ultimate goal or purpose of an entity appears to be; the second area of interest relates to how entities report various forms of information, including their goals and purpose and the third interest studies the financial performance of entities which are applying these different approaches. This thesis is intended to explore all three of these areas.

An entity's goal or purpose can be summed up through three models, namely Neoclassical, Conscious Capitalism (CC) and Entity Maximisation and Sustainability (EMS). Whilst each model has been applied by entities throughout history, there has been a shift in perspective towards the EMS theory in recent times (Buckley, 2022; Gregory and Chasomeris, 2016; Høgevold et al., 2014). Reporting initiatives have developed alongside this shift in perspective, particularly the King Report on corporate governance, the Global Reporting Initiative (GRI) which focusses on sustainability reporting and the International Integrated Reporting Council (IIRC) which promotes and gives guidance on integrated reporting. One key reason for this parallel is that, when following the EMS Model, sustainability information needs to be presented to investors and other relevant stakeholders, meaning that mechanisms for this level of presentation and reporting must be devised and updated to disclose such information (Amacha and Dastane, 2017; Azzam et al., 2020; Zrnić, Starčević and Crnković, 2020). At first, separate reports pertaining to different aspects of the business entity, for example, environmental reporting, financial reporting, social reporting and governance reporting, were produced and referred to each other where applicable. However, it is now becoming common practice to publish one integrated report containing all information and referencing to an expanded report or website when necessary (Appiagyei, Djajadikerta and Xiang, 2016; Hunter, 2014; Nel, 2019; Ong, Trireksani and Djajadikerta, 2016).

The integrated report approach has, to a large extent, been followed by South African companies listed on the Johannesburg Securities Exchange (JSE) following the mandating of King III's application for financial years commencing on or after 01 March 2010 (Gregory, 2023; South African Institute of Chartered Accountants (SAICA), 2010). King III proposed that an annual integrated report should be published to holistically represent performance in both the financial and non-financial spheres (de Villiers, Hsiao and Maroun, 2017a; Dumay et al., 2016); however, the code was to be used on an "apply or explain" basis (Giles, 2017; Institute of Directors, 2009). The mandate from the JSE therefore meant that integrated reporting was not compulsory for those companies listed on the securities exchange, but companies that did not apply the principle would need to explain their decision, making South Africa the first and only country to embrace these principles in such a manner at that time (Appiagyei et al., 2018; Bernardi and Stark, 2018; de Villiers et al., 2017a; Dube, 2017; Eccles, Krzus and Solano, 2019; Giles, 2017; Hoang et al., 2020; JSE, 2017). Consequently, South Africa has been referred to as the pioneering country with respect to integrated reporting (de Villiers, Rinaldi and Unerman, 2014; Dumay et al., 2016) and remains the current world leader in this practice (du Toit, 2017; van der Lugt and Mans-Kemp, 2022).

Whilst integrated reporting is now a common practice in South Africa, no laws or regulations make the application of any one approach to integrated reporting obligatory. At the time of the JSE mandating King III, the only available guidelines on integrated reporting were King III and GRI 3.1. Further guidelines have been introduced since then with the IIRC establishing and issuing an integrated framework in December 2013; the GRI developing a complete set of sustainability reporting standards and publishing these in October 2016; and an update of King III, King IV, being released on 01 November 2016. The IIRC merged with the Sustainability Accounting Standards Board (SASB) in June 2021 (Bouvier, 2021) and subsequently consolidated with the International Financial Reporting Standards Foundation forming the first International Sustainability Standards Board (SASB, 2022). Literature indicates that the GRI framework has been the most commonly used guideline (Aifuwa, 2020; English and Schooley, 2014; Jeroe, 2016; Laskar and Maji, 2016); however, the use of the IIRC framework has been on the rise following its introduction (Appiagyei et al., 2018; Dube, 2017; Haji and Anifowose, 2016; Marrone and Oliva, 2020; Scholtz, Mans-Kemp and Smit, 2018).

The area of financial performance has been explored in varying contexts. Some studies have evaluated specific companies or industries and used ratio analyses to reach conclusions on financial performance (Doorasamy, 2016; Endri et al., 2020; Kaldybekova, 2018; Nurhayatia,

Endrib and Siswantoc, 2020; Rathi and Goyal, 2020). Others have investigated how certain aspects, such as corporate sustainability, impact financial performance (Alshehhi, Nobanee and Khare, 2018), whilst literature review studies have identified several other articles exploring the relationship between the quality of non-financial reporting and financial performance, showing that different concepts were used in measuring financial performance (Crous, Battisi and Leonidou, 2021). Regardless of the mixed results and types of analyses, financial performance is seen as a key area of interest, especially for decision-making, where profitability and financial results play a pivotal role. Information such as the purpose and profitability of a company has been indicated as helpful and of interest to stakeholders for their decision-making (Buys, Oberholzer and Andrikopoulos, 2011; de Klerk and de Villiers, 2012). Therefore, combining company purpose and profitability into a single setting and easy-to-read diagram would be beneficial.

The chapter proceeds as follows: Section 1.2 provides an overview of the literature; Section 1.3 explains the research problem statement with reference to the introductory paragraphs and literature overview; Section 1.4 presents the aims and objectives of the research study; Section 1.5 gives an overview of the research methodology applied; Section 1.6 explains the limitations of the research performed, and Section 1.7 provides an overview of the chapters within the thesis.

## **1.2 LITERATURE OVERVIEW**

The purpose of this section is to provide a background and context to the problem statement contained in Section 1.3 where the research gap and the need for the study has been outlined. This section contains an overview of the literature regarding financial performance, company purpose and the reporting of such information. As this is a Doctor of Business Administration via publication, each chapter comprises a publishable article with a separate literature review and theoretical framework relevant to that article (Sections 2.2, 3.2, 4.2 and 5.2). As such, this section aims to complement these literature reviews to give an overview for the thesis.

### **1.2.1 Company Purpose**

The concept of company purpose has been divided into three schools of thought throughout the literature: Neoclassical Theory (shareholder model), CC Theory (CC (stakeholder) Model) and

EMS Theory. The Neoclassical Theory was founded on economic theory suggested by Adam Smith in 1776 (Schiller, 2011). The *homo economicus* paradigm points to firms being self-interested and focusing entirely on profit maximisation and thus benefiting shareholders (Alcaniz, Aguado and Retolaza., 2020; Ventura, 2022). Agency Theory underpins this model (Magaro, 2010). Effectively, this meant that all decisions would be evaluated through profit criteria and would only be accepted if they maximised profits (Khan, 2017). Agle and Agle (2007 cited in Agle et al. (2008) and Crane and Ruebottom (2011)) found that only 10% of their sample of Fortune 500 companies adopted a shareholder approach. Whilst this theory still attracts research attention, much of the more recent research compares the theory to the CC (stakeholder) Model and/or the EMS Theory and shows the paradigm shift to these models.

Beinhocker and Hanauer (2014) advocate for a reorientation of the role of the business from the shareholder approach (creating shareholder returns) to being society problem solvers and, in turn, achieving better balance in managing multiple stakeholder interests. Despite this support, Beinhocker and Hanauer (2014:8) do not regard shareholders as unimportant but rather view the provision of a competitive return to shareholders as “a boundary condition for successful business” and that the purpose of an entity would be more than mere profit maximisation. Such perceptions are akin to Mackey (2011) and Moreira and Verschoore (2020), who suggest that businesses should focus on a higher purpose with a stakeholder orientation instead of profits, and Keay (2008), who proposes the EMS Model. The EMS Model proposal focuses on maximising entity wealth (positively impacting all stakeholders) whilst sustaining the business in the long term. The model, therefore, differs slightly from the CC (stakeholder) Model in that sustainability is an integral part of the business model, and this is achieved partly through satisfying stakeholder needs (Alcaniz et al., 2020; Bocken et al., 2013; Buckley, 2022; Høgevold et al., 2014).

This sustainability mindset has been increasingly integrated into organisation strategy (Buckley, 2022; Farias et al., 2020; Høgevold et al., 2014; Lai and Stacchezzini, 2021). None of these papers, however, look at a South African context, which raises the question of whether this mindset is proven to be prevalent in South Africa and is explored through Chapter Two, Gregory and Chasomeris (2016).

Legitimacy theory, one of the most dominant theories in integrated and sustainability research, supports the notion that companies following the sustainability model will disclose their efforts to their relevant stakeholders (de Villiers and van Staden, 2006; Lakhani and Herbert, 2022).

It is therefore logical that reporting initiatives, particularly with reference to non-financial information, have developed alongside this shift in perspective towards the EMS Model.

### 1.2.2 Reporting

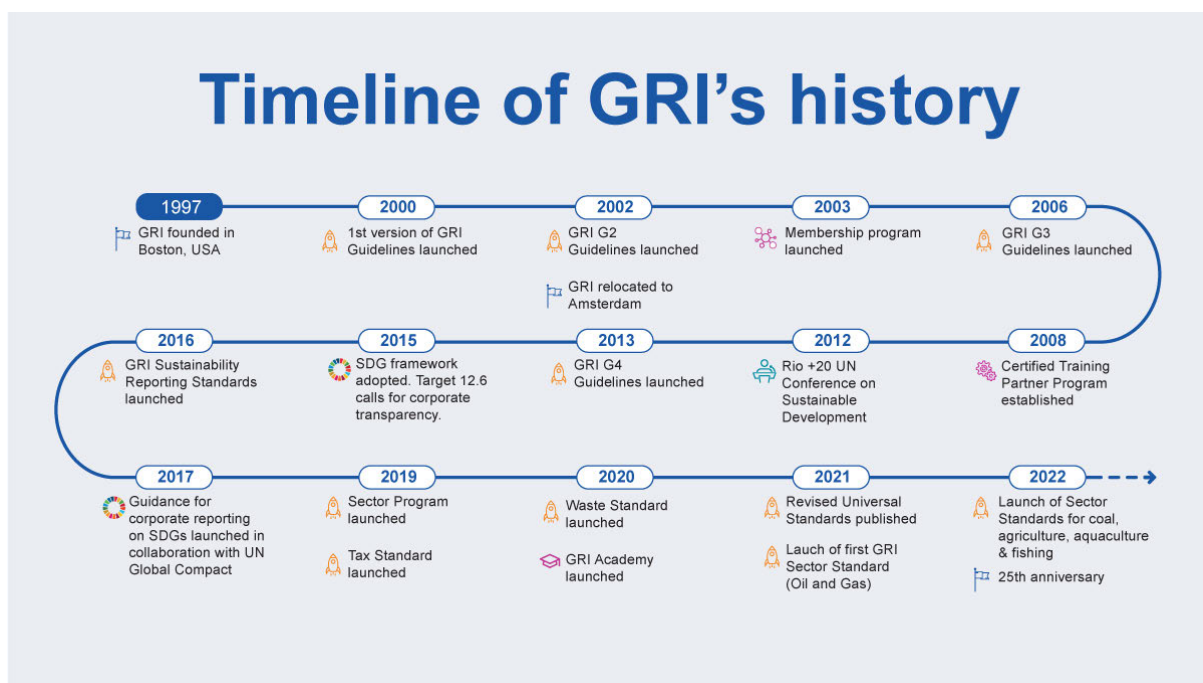
With the company focus no longer being merely on profit maximisation, reporting has changed from the presentation of financial information (via annual financial statements governed by accounting principles) to presenting non-financial information as well. Non-financial information could be published in separate reports to complement the annual financial statements or in one integrated report. Table 1.1 compares the two main types of reporting that support the publication of non-financial information, sustainability reporting and integrated reporting.

**Table 1.1: Comparison of sustainability and integrated reporting**

	<b>Sustainability Reporting</b>	<b>Integrated Reporting</b>
Main objective	Measure and report the economic, social and environmental impact	How capital resources are used to create sustainable value over time
Target audience	Stakeholders	Providers of financial capital
Guidelines	GRI framework	IIRC framework
Scope	Non-financial information	Financial and non-financial information
Assurance level	Low	Low
Mandatory or voluntary	Mostly voluntary	Voluntary except in South Africa (“apply or explain” basis) and Brazil (mandatory from 1 January 2021)
Content	Economic (performance and impact, market presence, anti-corruption and anti-competitive behaviour); Environmental (including bio-diversity, energy, emissions, water, transport and compliance with relevant environmental laws); Social (labour, training, diversity, human rights, health and safety, customer privacy)	Organisational overview and external environment Governance Business model Risks and opportunities Strategy Performance

Source: Author compiled using Atağan (2017), GRI (2016), Hamad, Draz and Lai (2020) and IIRC (2013)

Sustainability reporting has a broad focus (Permatasari and Narsa, 2022), is aimed at three dimensions: economic, environmental and social, and is intended to complement financial reporting (Atağan, 2017). The aim is to report on an entity’s ability to safeguard resources that are considered limited and how these limited resources are being protected for future generations whilst still supplying and maintaining value for the current generation (Hamad et al., 2020). The GRI guidelines are the most widely accepted and applied sustainability reporting standards (Aifuwa, 2020; English and Schooley, 2014; Hamad et al., 2020; Jeroe, 2016; Laskar and Maji, 2016). Figure 1.1 outlines the development of these standards from their foundation in 1997 up until 2022, which marked the GRI’s 25th anniversary.



Source: GRI (2022)

**Figure 1.1: GRI history**

GRI was found to be the most dominant standard used for sustainability reporting by KPMG (2017). Despite this dominance, the GRI guidelines still have shortcomings and challenges (de Villiers, la Torre and Molinari, 2022). Toppinen and Korhonen-Kurki (2013) criticise the broad descriptions within the GRI and indicate that, due to the broadness, the standards can be interpreted differently, resulting in less comparability in the reporting. The application of sustainability reporting is also mostly voluntary and can lead to selective disclosure resulting in the possibility of manipulating stakeholder perceptions

(de Villiers et al., 2022). One of the most common reasons managers gave for not disclosing certain environmental information was that there was no legal requirement to do so (de Villiers, 2003). Nonetheless, the mandating of sustainability disclosure has been on the rise. Thirty-five countries introduced mandatory disclosure either gradually or in total between 2002 and 2020, with the highest number in 2016. Of the 35, 16 are on a “apply or explain basis”, with the remaining 19 requiring full compliance (Krueger et al., 2021).

From a practicability standpoint, a lack of skills and limited resources have impacted the effective application of sustainability reporting (Adams et al., 2022; Tauringana, 2021). Safari and Areeb (2020) agree, finding that under-developed reporting systems and time and cost constraints were barriers to efficient sustainability reporting. It is therefore not surprising that there have been calls to simplify sustainability reporting (Adams and Abhayawansa, 2022), for more guidance to be made available (Garcia-Torea, Fernandez-Feijoo and de la Cuesta, 2020) and that several industries in Canada (including retail and food) have been found to report fewer indicators (Roca and Searcy, 2012). Although these challenges have been identified over the years, KPMG (2022) reiterate the dominance of GRI in sustainability reporting, showcasing a further increase in adoption since their 2017 report.

The focus in corporate reporting has progressed towards integrated reporting. An integrated report combines financial and non-financial information into a concise report to portray an entity’s future value creation plans with specific reference to strategy, business model and six capitals (financial, manufactured, intellectual, human, social and relationship and natural) over the short, medium and long-term (Atağan, 2017; de Villiers and Sharma, 2020). The development of integrated reporting is diagrammatically represented in Figure 1.2. Whilst this historical development is highlighted in the literature, its impact on the composition or format of integrated reports has not been explored. Chapter Four of this thesis, Gregory (2023), begins to explore this impact.

The concept of integrated reporting is the most established in South Africa (van der Lugt and Mans-Kemp, 2022), but there is still considerable room for improvement (Malola and Maroun, 2019). The focus on integrated reporting followed an interval of attention to sustainability reporting and began around the period in which the IIRC framework was being developed (EY, 2022). Although this is apparent, the foundation of integrated reporting in a South African context was arguably the publication of King I in 1994 (de Villiers et al., 2017a). This report on corporate governance has undergone three updates since. The update in 2002 to King II introduced reporting on social, environmental and economic activity (as indicated in

sustainability reporting) and governance reporting. King III, published in 2009, introduced the concept of the integrated report on an “apply or explain” basis (Institute of Directors, 2009), and the latest update, King IV in 2016, has revised this to an “apply and explain” basis (Institute of Directors, 2016). The final development highlighted was the formation of the first International Sustainability Standards Board in 2021.



Source: EY (2022: 1)

### Figure 1.2: Integrated reporting milestones: 25 years of excellence

The focus of integrated reporting has remained similar throughout the above developments: that integrated reporting aims to improve information quality by linking previously disconnected sections of financial and sustainability information (Hamad et al., 2020). Sustainability reporting is thus seen as an integral aspect of integrated reporting (Lakhani and Herbert, 2022), and, as a result, those tasked with preparing an integrated report could depend on the sustainability report as part of their groundwork (Hamad et al., 2020). When these two types of reporting are used together, a complete view of a corporation's performance and value creation can be portrayed (Atağan, 2017).

The audiences for the integrated reporting platform and the sustainability platform differ, with integrated reporting targeting financial capital providers (being their shareholders and those investing from a debt perspective) and sustainability reporting being aimed at a broader stakeholder perspective (van der Lugt and Mans-Kemp, 2022). With the differences in audiences, integrated reporting would likely provide only some of the information currently reported in a sustainability report (de Villiers and Sharma, 2020). Larger organisations and those in environmentally or socially sensitive industries would also have more to report and,

therefore, need to provide more detailed reporting (Malola and Maroun, 2019). The International Federation of Accountants (2018) points out that more than one report is needed to meet the needs of all stakeholders, especially for larger organisations. They propose that an integrated report should be used as an umbrella report with clear reference to other communications. For these reasons, Hamad et al. (2020) highlight that even when a company produces an integrated report, it should still produce a sustainability report as the two reports are different.

This being so, the most common approach in the literature appears to be one integrated report (Appiagyei et al., 2016; Hunter, 2014). Herbert (2018) analysed 45 JSE-listed companies to identify trends regarding sustainability information inclusion and found that 34 had fully integrated sustainability disclosures in their integrated report by 2015, with only one company compiling a separate sustainability report. Permatasari and Narsa (2022) claim that information in integrated reports has high value relevance because it reinforces the significance of accounting information, and users then get a complete picture by reading one report rather than many individual ones. Publishing several lengthy reports can result in investors having fragmented information, thus impacting on decision usefulness. Therefore there is a greater leaning towards publishing one integrated report (de Villiers et al., 2017a).

Academically the debate remains whether only one report should be published, as including such a multitude of information in one space could be problematic (de Villiers et al., 2014). Eccles, Schulschenk and Serafeim (2012: 48) nevertheless indicate that this is the wrong question to ask regarding integrated reporting, and researchers should instead be asking: “Is the company providing an integrated presentation and discussion of its financial and non-financial performance in at least one document, and has it, in addition to this, designed its website to be as useful and integrated as possible?” Considering all the above, it is relevant to question how much sustainability reporting is being produced in the integrated report. This is an identified gap in the body of knowledge towards which Chapter Five contributes.

### **1.2.3 Financial performance**

Financial performance is a key area of interest, especially for decision-making where profitability and financial results are pivotal. Authors define financial performance differently; some use external and internal measures to evaluate performance (Crous et al., 2021). Research studies have also investigated financial performance using varying approaches. Two realms

have been identified: those that evaluate financial performance (Doorasamy, 2016; Endri et al., 2020; Kaldybekova, 2018; Nurhayatia et al., 2020; Rathi and Goyal, 2020) and those that correlate other factors with financial performance. Financial performance correlation studies that are topical to the subject matter of this thesis were identified in the areas of sustainability reporting (Garg, 2015; Kasbun, Heng and San Ong, 2016; López, Garcia and Rodriguez, 2007; Munshi and Dutta, 2016; Sampong et al., 2018; Siew, Balatbat and Carmichael, 2013; Taib and Ameer, 2012), integrated reporting (Barth et al., 2017; Lee and Yeo, 2016; Wen and Heong, 2017; Zhou, Simnett and Green, 2017) and company purpose (Omran, Atrill and Pointon, 2002).

Crous et al. (2021) found that authors that used GRI indicators concentrated on internal, income-related financial aspects with consideration given to the statement of comprehensive income. The use of accounting data over market data is favoured as it is considered “less noisy” and indicates what has actually happened to the entity (López et al., 2007). Further reading into the methods used by the aforementioned financial performance correlation studies showed seven studies using return on assets (ROA) (Garg, 2015; Kasbun et al., 2016; López et al., 2007; Munshi and Dutta, 2016; Siew et al., 2013; Taib and Ameer, 2012; Wen and Heong, 2017) and five studies using return on equity (ROE) (Kasbun et al., 2016; López et al., 2007; Omran et al., 2002; Siew et al., 2013; Wen and Heong, 2017) as measures of financial performance. Further support for the use of ROE was found in Mokabane and du Toit (2022), who cite 14 sources (over and above those sources mentioned earlier) from previous research investigating a relationship between financial performance and other aspects. Alshehhi et al. (2018) analysed 132 articles and found that ROA was used in 53 and ROE in 27. Other profitability ratios were also featured, such as profit margin (nine articles), return on capital employed (three articles) and gross profit ratio (two articles).

The articles that analysed financial performance used ratio analysis to underpin their findings. Some studies were more detailed than others, but one commonality was that all five studies used profitability ratios and the DuPont analysis (a breakdown of ROE into its determining elements of net profit percentage, ROA and the equity multiplier, a measure of financial leverage). Therefore, considering the two realms of studies investigating financial performance, it is clear that profitability is a key element. This, coupled with the finding that company purpose is of interest to stakeholders for decision-making, points to the usefulness of a tool to display these two elements, as proposed in Chapter Three.

### 1.3 PROBLEM STATEMENT

Accounting research has been on the rise over the last two decades (Baker et al., 2023; di Vaio et al., 2021; Lakhani and Herbert, 2022; Vysochan et al., 2021; Waweru et al., 2023) with trending topics such as sustainability, integrated reporting and financial performance. The pioneering country and current world leader with respect to integrated reporting has been identified as South Africa (de Villiers et al., 2014; Dumay et al., 2016; du Toit, 2017; van der Lugt and Mans-Kemp, 2022) which makes it a relevant country for research endeavours.

The literature overview in Section 1.2 has identified four areas for further research within South Africa, outlined as follows:

1. Organisation strategies have been increasingly adopting a sustainability mindset. However, studies from a South African context have yet to be identified (excluding Gregory and Chasomeris (2016), which forms part of this thesis by publication). With South Africa as the world leader in integrated reporting (du Toit, 2017; van der Lugt and Mans-Kemp, 2022) and sustainability reporting presenting as one of the bases within this reporting (Hamad et al., 2020; Lakhani and Herbert, 2022), it is relevant to explore the organisational strategy and purpose further.
2. Regardless of what the South African mindset is, company purpose and profitability are key elements for decision-making. It would be useful and convenient for users, such as investors, to see such information in a single setting that is easy to interpret. Through investigations of the literature, such a tool has yet to be identified. It is, therefore, relevant to devise such a tool for stakeholder use.
3. Preliminary testing has confirmed that sustainability is a prevalent mindset in South Africa with reference to the food and drug companies listed on the JSE (Gregory and Chasomeris, 2016). Literature has pointed to the development of sustainability and integrated reporting, with integrated reporting at the forefront in South Africa (EY, 2022; GRI, 2022). Whilst the historical development is highlighted in the literature, the practical impact of these developments has yet to be explored. It is, therefore, both relevant and interesting to analyse the composition and format of integrated reports to see how the development of the published report ties back to the historical development as depicted by EY (2022) and GRI (2022).

4. The reporting developments in South Africa have pointed toward a single integrated report (Appiagyei et al., 2016; Hunter, 2014), with reporting on sustainability aspects being one of the bases to cover (Hamad et al., 2020; Lakhani and Herbert, 2022). The debate within the literature whether to report everything in one report or to have many individual reports remains, but overall the indication is that there should be at least one integrated document (de Villiers et al., 2014; Eccles et al., 2012; Herbert, 2018; Permatasari and Narsa, 2022). It is therefore relevant to investigate how much sustainability information is published within these reports as well as the quality of information published.

This Doctor of Business Administration by publication considers all four gaps identified within the literature as outlined above. Each gap forms the basis of a single chapter in the form of a publishable article. The overall aim and objectives of the thesis are contained in Section 1.4.

#### **1.4 AIMS AND OBJECTIVES**

The study aims to examine annual integrated reports of JSE-listed companies in the food and drug retail sector to conclude on financial performance and the prominence of corporate sustainability reporting therein.

With the focus on JSE-listed companies in the food and drug retail sector (refer to Section 1.5.2 on sample selection), the following major objectives have been established to achieve the overall purpose:

1. To use content analyses of integrated reports to identify the purpose of a company (Chapter 2);
2. To create an analysis technique in which company purpose and financial performance (depicted through profitability) can be portrayed concurrently to stakeholders (Chapter 3);
3. To explore the development of integrated reporting (Chapter 4); and
4. To quantify and analyse the degree of sustainability reporting within integrated reports (Chapter 5).

## **1.5 RESEARCH METHODOLOGY**

This section will concentrate on the research methodology applied to achieve the overall aim and four major objectives of the thesis. Because this thesis is a Doctor of Business Administration by publication, the research approaches vary slightly for each of the four papers comprising the entire thesis. Sections 2.3, 3.3, 4.3 and 5.3 can be referred to for the methodology specific to the individual articles.

### **1.5.1 Research design**

This thesis concentrates on researching company integrated reports. Research into corporate reporting has often been conducted via a content analysis (Aggarwal and Singh, 2019; Beattie, 2005; Borghei, Leung and Guthrie, 2016; de Villiers, Dumay and Maroun, 2019; Ecim and Maroun, 2022; Galant and Cadez, 2017; Merkl-Davies, Brennan and Vourvachis, 2011; Munshi and Dutta, 2016; Parker, 2005; Pittrakkos and Maroun, 2020). Content analysis is a research technique where replicable and valid inferences are derived from texts or other meaningful data (Krippendorff, 2013). Such inferences will result in the generation of a sense and meaning from the text that might not be consistently formatted, resulting in trends and differences being highlighted that would not ordinarily be apparent from simply reading or inspecting the textual data (Groeben and Rustemeyer, 1994; Krippendorff, 2013; Malola and Maroun, 2019).

Three different theories exist in relation to content analysis, each one characterised by different ontologies, epistemologies and methodologies. The three are positivist content analysis, interpretive content analysis and critical text analysis (Chua, 1986; Merkl-Davies et al., 2011). The positivist paradigm has a realist ontology and objectivist epistemology, taking the form of unbiased, scientific and predominately quantitative methods. The use of the approach is generally observed when a researcher seeks to measure and verify phenomena to test a theory (Merkl-Davies et al., 2011). In contrast, interpretive content analysis follows a social constructivist or relativist ontology with a subjectivist epistemology. The paradigm is founded when the researcher wants to explore interactions and enhance understanding regarding social factors. Therefore, it captures meanings and interpretations that are subjective in nature and lend themselves to more qualitative methods (Chua, 1986; Merkl-Davies et al., 2011). The last paradigm, critical text analysis, is similar to the interpretive paradigm as the methodology is more qualitative in nature and subjective, but it follows a critical stance and challenges the text

and ideas presented rather than merely interpreting it (Herbert, 2018; Merkl-Davies et al., 2011).

Of the three content analysis paradigms, this study applies the interpretive text analysis approach to explore emerging trends and themes in company integrated reports. The method is most suitable when answering general research questions relating to corporate reports that require an analysis of the information presented (Carels, Maroun and Padia, 2013). The primary research design is, therefore, qualitative in nature. The main characteristic of content analysis, however, is to count occurrences or to convert the presence, level of presence or absence of an item into a numerical score. Therefore, despite the design's qualitative nature, there is also an element of quantitative research involved. More rounded results have been produced when displaying both the qualitative and quantitative research methods, as statistical analysis of the qualitative findings can help analyse the data further (Merkl-Davies et al., 2011). This thesis, therefore, applies interpretive content analysis using a combination of qualitative and quantitative research methods.

Content analysis has been applied based on a longitudinal design. The design is used when a study wishes to determine a pattern of change or a trend over time (Gray, Kouhy and Lavers, 1995). A longitudinal examination is a systematic manner in which events can be observed, and data can be collected, analysed and reported over a long period of time (Zainal, 2007). Except for Chapter Two, Gregory and Chasomeris (2016), all studies used a ten-year period (2009 to 2018) for analysis. Gregory and Chasomeris (2016) used a five-year analysis period, but this period was expanded to the ten-year period in Chapter Three.

The final research design aspect employed for this thesis by publication is a case study design. The case study method is a popular technique used in the business arena (Business Research Methodology, 2023). The literature review found South Africa to be the world leader with respect to integrated reporting and, therefore, a relevant country for research endeavours. One sector within the JSE has been chosen for analysis for all four publishable papers (see Section 1.5.2). A case study design is implemented when an in-depth examination or analysis takes place regarding a particular phenomenon within a specific context, resulting in a comprehensive understanding with holistic explanations (Business Research Methodology, 2023; Hassan, 2022; Yin, 2009; Yin, 2012; Zainal, 2007). Both Yin (2009) and Zainal (2007) indicate that using a case study is a unique way to observe phenomena existing in a data set. This is substantiated by fewer research participants enabling detailed examination that would go beyond solely presenting statistical results. The study of a sector with insight

into multiple companies within that sector represents a multiple case study, and where multiple cases are studied, similarities and differences can be identified through a comparative analysis (Hassan, 2022; Yin, 2009).

Business Research Methodology (2023), Hassan (2022), Yin (2009) and Zainal (2007) identify three categories of case studies: exploratory, descriptive and explanatory. An exploratory case study would be used to explore a point of interest that is new or understudied (Hassan, 2022; Zainal, 2007). Such analyses would be done to find answers to “who” or “what” (Business Research Methodology, 2023), for example, “What is the primary purpose of an entity?” and “What quantity of sustainability reporting is presented in an integrated report?” A descriptive study aims to describe a phenomenon (Hassan, 2022) and what has been found to occur within the data collected (Zainal, 2007). This is in contrast to the explanatory case study that seeks to examine data at both a surface and deep level to explain a phenomenon and answer “how” and “why” questions (Zainal, 2007; Yin, 2009). Yin (2009) indicates that although each category has distinct characteristics, they have large overlaps. In considering the features of each category of case study, a descriptive, exploratory case study is relevant to this thesis. Regardless of the type of case study followed, a significant limitation due to the nature of the method is that there is a very limited platform to generalise results. This limitation is considered in Section 1.6.

Each of the aforementioned research methods have been combined to arrive at the overall research design for this thesis. The overall research design is a descriptive, exploratory case study with a longitudinal design that will employ interpretive content analysis. The content analysis technique will use a combination of qualitative and quantitative research methods.

### **1.5.2 Population and sample selection**

The population of a study is defined as a full complement of cases and is identified through a study’s research questions and objectives (Saunders, Lewis and Thornhill, 2019). The literature identifies South Africa as a country of interest with respect to the research field explored, mainly due to the JSE treatment of integrated reporting on an “apply or explain” basis. The JSE is the only securities exchange in South Africa, and over 350 companies are listed on the exchange. The research design follows a case study design (refer to section 1.5.1), requiring a smaller sample to collect detailed information over time (Creswell and Creswell, 2018). The entire population was therefore narrowed from the JSE as a whole to a specific target

population using a purposive strategy. The purposive strategy entails purposefully selecting individuals or cases best suited to answer the research questions and objectives identified (Creswell and Creswell, 2018; Paterson and Leung, 2016; Saunders et al., 2016). To achieve the in-depth focus of research, a homogeneous target population is necessary (Saunders et al., 2016), and therefore, the study is limited to a single JSE sector over a ten-year period.

The target population of this study is companies listed on the JSE within the food and drug retail sector. The JSE is the only securities exchange in South Africa, with 41 sectors being represented (Moneyweb, 2018). In December 2018, eight companies were listed within the sector, with six represented in the JSE Top 100 and three in the JSE Top 40 (based on market capitalisation) (Moneyweb, 2018). The sector contributed to the market with a market capitalisation of R362.5 billion, earnings of R15.4 billion and revenue of R607.2 billion (Simply Wall Street, 2023).

Other than being well-represented within the top companies listed on the JSE, the food and drug retail sector was found to be particularly unexplored in the literature. All companies within the sector are essential services and would be well-known and familiar to most of the South African population, with some familiarity with foreigners due to their representation in the JSE Top 100 and Top 40. When individuals are presented with alternatives, they usually prefer the option they are most familiar with (de Vries, Erasmus and Gerber, 2017; Fox and Levav, 2000; Fox and Tversky, 1995). As this is a comprehensive foundation study, the familiarity of companies can lend itself to the study being better understood and can provide a better platform for replication to other sectors.

A ten-year period from 2009 to 2018 was selected for the study. This period is significant as the King III report was issued in 2009, encouraging the publication of an integrated report. The development of the IIRC framework followed this, along with some developments in the GRI guidelines and reporting standards and an update of King III. King III was mandated on the “apply or explain” basis for JSE-listed companies with financial years commencing on or after 01 March 2010. The period accommodates the analysis of the companies before the JSE mandate and throughout a period where there have been a number of developments regarding integrated reporting. Most of the current published studies have limited the time frame of their review to two to three years; therefore, a ten-year period would provide a more significant period.

The inclusion criteria for the target sample are, therefore, twofold: firstly the company should be listed in the JSE food and drug retail sector and secondly the company should have integrated reports available for all ten financial years from 2009 to 2018. Eight companies were listed within the sector in December 2018 (the end of the chosen analysis period). Four of these companies were not listed throughout the entire research period and as such have not published an integrated report in each financial year required. As these companies do not fall into the inclusion criteria, they have been excluded from the study (see Table 1.2). In total, 40 company years have been analysed.

**Table 1.2: Food and drug retail sector – sample selection**

Code	Company name	Top 100	Top 40	Included	Reason for exclusion
BID	Bid Corporation Limited	Yes	Yes	No	Only listed in 2016
CHP	Choppies Enterprises Limited	No	No	No	Only listed in 2015
CLS	Clicks Group Limited	Yes	Yes	Yes	
DCP	Dis-Chem Pharmacies Limited	Yes	No	No	Only listed in 2016
GBI	Gold Brands Investments Limited	No	No	No	Only listed in 2016
PIK	Pick n Pay Stores Limited	Yes	No	Yes	
SHP	Shoprite Holdings Limited	Yes	Yes	Yes	
SPP	Spar Group Limited	Yes	No	Yes	

Source: Author compiled using Moneyweb (2018)

### 1.5.3 Data collection

This research examined historical integrated reports of four JSE-listed companies from the food and drug retail sector (Clicks, Pick n Pay, Shoprite and Spar) from 2009 to 2018. This type of data constitutes secondary data and is available in the public domain. The reports were sourced and downloaded from the respective company websites, and different content analysis techniques were used to analyse them.

### 1.5.4 Data analysis

Section 1.5.1 supported and concluded on the overall research design, indicating content analysis as the primary data analysis tool. Content analyses using word, sentence or page count

and content analyses through the application of scoring indices have been identified as the top two methods used in literature to analyse corporate reporting initiatives such as integrated and sustainability reporting (Galant and Cadez, 2017; Unerman, 2000). A combination of these two content analysis approaches has been adopted within the thesis by publication. Chapters Two and Three used word frequencies, Chapter Four used page numbers, and Chapter Five used a scoring index. The methodological approaches for each of these chapters are indicated below, and re-iterated as part of the publishable papers within each chapter.

Chapter Two's literature review showed that each school of thought with respect to company purpose revolved around either one stakeholder (Neoclassical – shareholder), several stakeholders (Conscious Capitalism) or stakeholders and sustainability (Entity Maximisation and Sustainability). Six main stakeholders were identified: customers (consumers), employees (staff), suppliers, investors (shareholders), general society (community) and the environment. Frequencies of the mentions of stakeholders and sustainability were recorded, followed by a qualitative exploration of the non-financial sections of the integrated reports to determine the extent of focus on each stakeholder and sustainability. When performing the word count of stakeholder mentions, both singular and plural and the synonyms (as indicated in brackets) were accounted for. Pronouns were ignored to avoid being incorrectly accounted for because, in the myriad of information in the non-financial sections of the integrated report, such pronouns could replace any noun and not just a single stakeholder. As not all companies produced a remuneration report, this section was not included to prevent a bias towards employees for those companies. Both the frequencies and narrative were considered to ascertain the extent of focus and to conclude on the company's purpose.

Chapter Three created an analysis technique in which company purpose and performance can be portrayed concurrently to stakeholders. The analysis comprised two elements, namely company purpose and performance. The same analysis technique indicated in Chapter Two was adopted to expand the analysis of company purpose from five years (2010 to 2014) to ten years (2009 to 2018). Quantitative ratio analysis considering all five profitability ratios was used to explore, analyse and comment on company performance. As part of the analysis, the overall profitability was ranked and visually shown on a spider diagram alongside the company purpose, an innovative technique named the purpose-profitability pentagon analysis.

Chapter Four used a combination of qualitative and quantitative content analysis. An initial exploratory qualitative analysis was used to investigate what was reported in the integrated report, arriving at seven key areas: annual results (in full or as a summary), reports from key

board members, contents pages and pictures to facilitate the appearance and readability of the report, an explanation of financial information, governance information, shareholder information and information on strategy and sustainability considerations. The number of pages of each of these sections within the integrated report was tallied, shown as a percentage of the total number of pages, and statistically analysed using descriptive statistics. The number of pages was used as the content count to address non-narrative disclosures that are powerful and effective communication tools in integrated reports (Davison, 2007; Penrose, 2008; Unerman, 2000). At least five other studies were found that also used page count (Clayton, Rogerson and Rampedi, 2015; Cowen, Ferreri and Parker, 1987; Gray et al., 1995; O'Dwyer, 2003; Unerman, 2000). Lastly, with consideration to the quantitative analysis and qualitative narratives, a comparative exploration into each of the seven identified areas provided conclusions on the development of the integrated report content.

The final analysis chapter, Chapter Five, used scoring indices for its quantitative content analysis. Scoring indices form part of quantitative content analysis where proxies for disclosure are converted into a numerical score or index, and this score is then analysed statistically (Merkl-Davies et al., 2011). Several studies evaluating corporate disclosures have applied this method (Hamad et al., 2020), with one of the earliest being Ingram and Frazier (1980) (Patten, 2002). Scoring can be assigned on a nominal level (dichotomous) or an ordinal level (Likert scale). The dichotomous scale indicates a particular theme's presence (1) or absence (0). Dichotomous scales have been used in the majority of identified studies, for example, Azzam et al. (2020), Beck, Frost and Jones (2018), Borghei et al. (2016), Burhan and Rahmanti (2012), Chaka (2018), Garg (2015), Jaffar, Nor and Selamat (2018), Kosovic and Patel (2013), Ntim (2013), Ntim et al. (2012), Nurkumalasari, Restuningdiah and Sidharta (2019), Pitrakkos and Maroun (2020), Sampong et al. (2018), Setia et al. (2015) and Wen and Heong (2017). The Likert scale represents the extent of disclosure within a theme and has been used in the following studies: Appiagyei et al. (2018), Dube (2017), Hunter (2014), Makiwane and Padia (2013), Marrone and Oliva (2020), Munshi and Dutta (2016) and Scholtz et al. (2018). The Likert scale does not necessarily only represent the extent of disclosure, it can also be coded according to the nature or attributes of specific themes (Pitrakkos and Maroun, 2020). A few studies used both dichotomous and Likert scales for an all-round analysis (Aggarwal and Singh, 2019; Haji and Anifowose, 2016; Laskar and Maji, 2016).

This chapter applied the dichotomous scale for reporting quantity and the Likert scale for reporting quality. The GRI framework was used as the analysis foundation as it is the dominant sustainability reporting guideline (KPMG, 2022). The 6-point scale used was as follows: 0 not presented, 1 minimal information presented and not in line with the framework but within the topic sphere, 2 many points not addressed, 3 some points not addressed, 4 few points not addressed, 5 all points addressed, a similar framework to that applied in Aggarwal and Singh (2019). The score for each dimension (general, economic, environmental and social) and the total overall score were then expressed as a percentage and both quantitatively and qualitatively compared year-on-year and company-to-company. The quantitative analysis used statistical analyses using paired t-tests, Wilcoxon signed-rank tests, and Pearson correlations.

### **1.5.5 Quality of research**

Reliability and validity of the research are two critical factors to ensure that the quality of the research performed is upheld. In a qualitative study, four indicators must be considered when determining reliability and validity: credibility, transferability, dependability and confirmability (Kumar, 2011). Findings should be believable, the process followed should be replicable in the same and other contexts, and results should be able to be corroborated (Krippendorff, 2013). Comparison of results can also assist in ascertaining validity, especially in a case study context (Yin, 2011).

This study applies interpretive content analysis to arrive at findings. The findings and conclusions have been based on data that has been published by each company within the population in the public domain and, therefore, can easily be corroborated. The research design and analysis have been explained in sufficient detail so that such studies could be replicated, not only for the food and drug retail sector in other years of interest but also for other industries so that a cross-sectional industry analysis could be performed. Two studies have been identified that have replicated the Chapter Two study using the mobile communications sector (Naicker, 2019) and the apparel retail sector (Ramautar, 2017). The study combines both the qualitative and quantitative elements to enhance the validity and reliability of the findings. The outcomes in the conclusions are believable in that they align with literature suggestions and findings from other countries and sectors. Although each study looks at the four companies within the JSE food and drug sector individually, a synthesis of results is also explored, adding further to the validity and reliability of the study.

### **1.5.6 Ethical considerations**

The integrated report is the primary source of data for all four articles forming this Doctorate of Business Administration thesis by publication. Integrated reports for JSE-listed companies are readily available in the public domain. No ethical concerns are therefore raised on the research conducted for this thesis. Ethical clearance certificates have been obtained from the Human and Social Sciences Research Ethics Committee at the University of KwaZulu-Natal for each of the four articles and the entire thesis (see Appendix A).

### **1.6 LIMITATIONS**

One fundamental limitation of the consolidated study was that the assessment was limited to one sector on the JSE: companies listed in the food and drug retail sector. As such, findings are neither fully representative of the JSE nor generally applicable to other sectors. Although this limitation is present, the methodology used in each of the four papers which make up the body of the whole thesis has resulted in comprehensive foundational studies that may be applied to other sectors and contrasted with the findings herein to expand the research base further. Replicating these studies using other sectors within the JSE listing is recommended to contrast results across sectors. Similar research can be conducted on international security exchanges to compare results further.

The application of content analysis as a methodology opens the research to the subjective judgement of the researcher, which could introduce bias to the results. For this reason, content analysis has been applied on both a qualitative and quantitative basis to support the reliability and validity of the results. Where the scoring index was used in the study, the risk was mitigated by using a rules-based framework to score against, completing scoring within a short turnaround time, and a cross-case comparison between periods and companies to provide validity. In addition to these measures, Cronbach's alpha, a common statistic used to measure internal consistency, was calculated for each dimension scored. The statistic ranged between 0.892 and 1, reflecting a high degree of reliability.

The use of profitability as a financial performance indicator within Chapter Three poses a limitation. This is because the literature indicates that financial performance has a much broader scope. Because of the broad scope, it is impossible to encompass all variables into the model as it would result in the model becoming too cluttered and complicated to interpret, thus defeating the purpose of creating a useful tool. The literature fully substantiates profitability as

a proxy for performance (refer to Section 1.2.3) and does not remove any anticipated usefulness of the technique devised. The purpose-profitability pentagon illustrates the comparative profitability of companies with their purpose displayed alongside. The anticipation is that users would use this tool alongside other financial and non-financial performance indicators, rather than as a stand-alone tool.

## **1.7 STRUCTURE OF THE THESIS**

This section provides a brief overview of each chapter of the thesis. This is a Doctor of Business Administration by publication that comprises an introductory chapter, four papers (two of which have already been published) and the conclusions and recommendations. The chapter overview below outlines the papers and their objectives.

### **Chapter 1: Introduction**

This chapter gives an overview and introduction to the study. It provides an overview of the literature supporting the problem statement of the research. This is followed by the overall aim and objectives, the research methodology adopted, and any limitations the chosen study method poses. The chapter concludes with the thesis structure.

### **Chapter 2: JSE Listed companies in the food and drug retail sector: A content analysis of financial statements to determine their primary purpose**

This chapter is a published article by Gregory and Chasomeris (2016) entitled *JSE Listed companies in the food and drug retail sector: A content analysis of financial statements to determine their primary purpose*. The article used content analysis to identify the primary purpose of four companies in the food and drug retail sector. Findings showed the Entity Maximisation and Sustainability Model as the dominant model, but each company focuses on a different stakeholder: Spar on employees, Pick n Pay on customers (with a differentiation strategy), Shoprite on customers (with a low-cost strategy) and Clicks on shareholders. The chapter was published in the *Journal of Economic and Financial Sciences*.

### **Chapter 3: JSE Food and drug retail sector: A purpose profitability pentagon analysis**

This chapter is an article by Gregory and Chasomeris entitled *JSE Food and drug retail sector: A purpose-profitability pentagon analysis*. The paper expanded the content analysis from

Gregory and Chasomeris (2016) and built onto these results with an analysis and ranking of five profitability ratios from 2009 to 2018. The analysis resulted in the creation of a profitability ranking table that was converted into a more user-friendly visual diagram to succinctly present the primary purpose, profitability and ranking of profitability. An earlier version of this chapter was presented at the 2017 South African Accounting Association International conference.

#### **Chapter 4: Integrated report content evolution: A case study of the JSE food and drug retail sector**

This chapter is an article by Gregory (2023) entitled *Integrated report content evolution: A case study of the JSE food and drug retail sector*. The paper applied qualitative and quantitative content analysis to explore the development of integrated reporting by examining, comparing and contrasting trends in the composition of published annual integrated reports. Findings revealed a change in the composition of annual integrated reports, with a decrease in the number of pages containing annual financial statements and an increase in governance, strategy and sustainability information. The shifts coincided closely with the release of integrated reporting developments, suggesting an uptake in the application of new reporting initiatives. This chapter was published in the *South African Journal of Economic and Management Sciences*.

#### **Chapter 5: An analysis of sustainability reporting of JSE listed companies in the food and drug retail sector**

This chapter is an article by Gregory entitled *An analysis of sustainability reporting of JSE listed companies in the food and drug retail sector*. The paper used quantitative content analysis to calculate sustainability indices to analyse the degree of sustainability reporting in integrated reports. Findings showed that the overall sustainability scores for three of the four companies (Clicks being the exception) increased, with Pick n Pay producing the highest scores. The general dimension contributed the most to the overall score, followed by the economic, social and environmental divisions. One-third of the GRI framework criteria were not disclosed by any of the four companies. This, coupled with the result that the Likert scale produced significantly lower results than the dichotomous scale, indicates a low degree of quality in applying the GRI framework within the integrated report and shows room for improvement.

## **Chapter 6: Conclusions and Recommendations**

This chapter provides conclusions and a synthesis of the four stand-alone articles in this thesis. The chapter shows how each objective has been met to achieve the study's overall purpose and proposes areas for future research.

## CHAPTER 2

# JSE LISTED COMPANIES IN THE FOOD AND DRUG RETAIL SECTOR: A CONTENT ANALYSIS OF FINANCIAL STATEMENTS TO DETERMINE THEIR PRIMARY PURPOSE <sup>1</sup>

### ABSTRACT

The overall purpose of the study is to analyse financial statements to determine the primary purpose of JSE listed companies in the food and drug retail sector. There were two parts to the analyses. First, the study examines the literature on the three models, namely: neoclassical, conscious capitalism and entity maximisation and sustainability in order to identify themes or major identifiers of each model. Second, it analyses the financial statements (over five years from 2010 to 2014) of JSE listed companies in the food and drug retail sector, in particular the non-financial information. The entire population was analysed as there were only four in the population, namely Spar, Pick n Pay, Shoprite and Clicks. Annual integrated reports and sustainability reports (where separately published) were analysed using content analyses. Keywords and themes were used to link the attributes of the company to the attributes identified in the literature to determine the model the company used. The content analyses showed that the dominant model was the entity maximisation and sustainability model. However, each company appears to have chosen to focus on a different stakeholder: Spar on employees, Pick n Pay on customers (with a differentiation strategy), Shoprite on customers (with a low cost strategy) and Clicks on shareholders.

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## 2.1 INTRODUCTION

Over the years there have been varying approaches to running businesses, resulting in many different goals, aims and schools of thought pertaining to what the ultimate goal or purpose of an entity should be. There has been much research and published literature on models that can be followed by businesses but they ultimately boil down to three types of models. The first of these, the neoclassical model, indicates that the main purpose of an entity is to make profits and therefore the focus solely on the shareholders (Vranceanu, 2014). The second one, conscious capitalism (CC), is trending in America at present and differs to neoclassical in that the focus turns from shareholders to all stakeholders and has the business focusing on a higher purpose as opposed to profits (Mackey, 2011). The last model, entity maximisation and sustainability (EMS), differs slightly to CC in that only part of the focus is maximising entity wealth (which positively impacts all stakeholders), the other part of the focus being sustaining the business in the long term (Høgevold et al., 2014).

Within the literature explored on these three models, there was no identified exploration into South African companies and what they followed. Furthermore, although the literature did explore the pitfalls and merits of each model, it was unclear which model was favoured. The purpose of this study is therefore to identify within a South African context (in this instance, the food and drug retail sector as listed on the JSE) which model companies are purporting to follow through an inspection of annual financial reports. The research objectives linked to this purpose include: to examine the literature on the three models (neoclassical, CC and EMS) in order to identify themes or major identifiers of each model, to examine the financial statements (over five years from 2010 to 2014) of JSE listed companies in the food and drug retail sector, in particular the non-financial information, for themes that could link to the identification of any of the three models and to prepare a content analysis based on this examination to draw a conclusion on which model each company in the population appears to be following.

The methodology used in this paper was content analyses. A detailed literature review was conducted using secondary data from journals, books and electronic sources that provided insight into the three models in order to establish themes related to each model. These themes were then used to perform the content analysis of non-financial information within published annual reports of the four entities listed within the chosen sector from 2010 to 2014. The listed entities are Spar, Pick n Pay, Shoprite and Clicks. This analysis led to a conclusion on the model followed by each company within the sector.

The paper is structured as follows. Section 2.2 reviews the literature on the three models and compares and contrasts their approaches. Section 2.3 discusses the research methodology used and collection of the data. Section 2.4 discusses the results and findings from the content analyses. Section 2.5 concludes the study.

## **2.2 LITERATURE REVIEW**

Key findings of the literature reviewed are discussed under the following headings.

### **2.2.1 Neoclassical Model**

The neoclassical model has been a continuing viewpoint embraced by economists world-wide. Its foundation in classical economics was initiated after Adam Smith wrote *The Wealth of Nations* in 1776 (Schiller, 2011). The principles that were suggested, and have been at the forefront of economics from that time, were that of profit maximisation by businesses and utility maximisation by consumers. Essentially, the model was of supply and demand and showed equilibrium for profit maximisation, where a firm's marginal revenue is equal to marginal cost. He proposed that if a market was out of a state of equilibrium, the 'invisible hand' within the market would assist in returning that market back to equilibrium otherwise it would have resulted in either a surplus or deficit within the market (Schiller, 2011). Effectively, Smith's view was that self-interested behaviour by individuals and firms would result in moral outcomes for society as a whole (Jones and Felps, 2013). Abdur-Rahman (2011) noted that one of the most significant assumptions of the model was that profits were maximised by businesses, and that businesses would therefore only produce at equilibrium output in order to guarantee that profits were maximised. However, this did not represent an everyday life situation as the model did not account for such things as time differentials between when costs were sustained and revenues were received and that perfect information was not close at hand either. However, Loderer et al., (2010) state that some assumptions under Smith's model, such as complete markets, price-taking behaviour, perfect information and zero transaction costs, are rarely met in a real-world scenario. Regardless of this disagreement with the model, there was still, however, agreement that the primary objective of any business was to maximise profits.

Ireland (2005), Jones and Felps (2013), Loderer et al. (2010) and Magaro (2010) refer to the model as the shareholder / stockholder model. They proposed that the goal in such a model was

solely to maximise profits; profits would then maximise business market value, thereafter result in a maximisation of owner or shareholder wealth. This model is thus referred to as the shareholder model. Corporate social responsibility (CSR) undertakings would therefore not be incorporated unless shareholders ultimately benefited from such activities (Vranceanu, 2014), regardless of benefits that might be experienced by others in society (Queen, 2015).

This proposed outlook, however, was seen by Keay (2008) to be a very short-term focus and therefore would not keep a business going in the long term. Stout (2013) supported this view, as evidence showed that directors would cut expenditure in marketing and product development if it was necessary to reach their earnings targets despite the fact that long-term performance might be adversely affected. The immediate consequences of these short-term decisions, by directors, often undermine the ongoing ability to create shareholder value (Jones and Felps, 2013). Halburd (2014) showed that the model destroyed shareholder value and resulted in the life span of businesses being reduced over the past thirty years.

Despite these reservations, other studies such as those by Elson (2010) and Magaro (2010) produce evidence as to why the shareholder-focused model should still be adopted by businesses. The main support is with reference to the fact that shareholders are owners of businesses and that they in turn receive a residual claim on the business. Magaro (2010) explains that shareholders technically place directors as trustees over their property (being the business) and therefore directors have a duty towards them before any other people. Other stakeholders, such as creditors and employees, usually have contracts in place with a business and, as a result, they have fixed claims against the business, and, in the event that the contract was breached, remedies could be sought through the legal system (Sundaram and Inkpen, 2004). Shareholders, on the other hand, do not have the same recourse and are the last to receive their claim on the business; they succumb to any losses and enjoy any gains the business has experienced (Magaro, 2010). Further to this, if shareholders are not focused on, Elson (2010) indicates that investors will then not be keen to invest and therefore companies would have to rely more on debt and current earnings for funding and as such the capital system would be greatly affected. Sundaram and Inkpen (2004) also indicate that by focusing only on shareholders, the business will not end up focusing on benefiting another group at the expense of the wellbeing of the business. This being so, within the shareholder group there will be various individual interests being represented and conflict could occur within the shareholder group, where some shareholders are focused on short-term profits (as they are trading) while others are interested in long-term profits (as they are investing) (Stout, 2013). Keay (2008) and

Jones and Felps (2013), however, are of the view that many stakeholders are affected by a business's actions and that focusing merely on shareholder interests can result in depriving another stakeholder, which could in turn have detrimental side-effects on the business.

The shareholder model discussed above would be unsuccessful in considering any other values infused in a business other than to become productive, efficient and profit maximising (Keay, 2008). Therefore other models needed to be investigated that involved other stakeholders. The next model discussed, CC (also referred to as the stakeholder model), incorporates all such stakeholders.

### **2.2.2 Conscious Capitalism (CC)**

The CC model illustrates a viewpoint that entrepreneurs have begun to support in the last few years and has been growing in popularity in America in particular. Evidence does exist, however, showing similar models being followed by businessmen as early as the 1930s (Keay, 2008). The viewpoint emphasises a focus on all stakeholders of a business rather than just the owners and thus brings triple bottom line (profits, plant and people) into consideration (Coates, 2013). CSR was therefore a strong focus in entities that follow the CC model.

Wang (2013), Sisodia (2011), O'Toole and Vogel (2011) and Mackey (2011) give four essential principles of CC, namely higher purpose, stakeholder orientation, conscious leadership and conscious culture. Schawbel (2013) notes that all four principles need to be focused on equally, otherwise it would result in the entire system suffering in the long term and full potential not being achieved. These four principles are discussed below:

- Higher purpose: The higher purpose is of vital importance, as not only do the other three CC principles hinge on it, but it is the core of every business decision (Schawbel, 2013). It entails management widening their vision beyond profit maximisation and focusing on stakeholder co-operation to create value and enhance the business as a whole (Waligo, Clarke and Hawkins, 2014; Young-Ferris, 2015). It is usually stated as part of a company's mission statement to illustrate to a stakeholder what the business does, why it does it and what they are hoping to achieve by doing such actions (Sandling, 2014).
- Stakeholder orientation: All stakeholder prosperity should be maximised; therefore management need to consider simultaneous demands from multiple stakeholders without compromising one for the sake of another (Waligo et al., 2014;

Sandling, 2014). Six major stakeholders were identified: customers, employees, suppliers, investors, society and the environment (Mackey, 2011).

- **Conscious leadership:** Conscious leadership embraces the higher purpose and creates a focus on creation of value through harmonising stakeholder needs (Mackey, 2011). Such leadership is delivered through mentoring, motivating, developing and inspiring people (Sisodia, 2011). Successful conscious leadership will result in the creation of a conscious culture (Sandling, 2014).
- **Conscious culture:** A conscious culture is created when cultures such as trust, truthfulness, caring, transparency, integrity, and learning and empowerment are implanted in the business to create a working environment that focuses on the higher purpose and strives towards those goals (Sisodia, 2011; Young-Ferris, 2015).

CC appeared to be the more attractive model, as more people benefited from the business rather than just the shareholders. However, there were fears about whether this was a proven fact. Sisodia's (2011) research revealed that, over a ten-year period ending 30 June 2006, CC companies outperformed the market, when considering their overall return on equity, by nine times. The indication was that the outperformances were likely due to lower levels of staff turnover and 'free' marketing, among other things (Aburdene, 2013). Wang (2013) did similar research to Sisodia (2011) and also found CC followers performed better, but only by 2.6 times. However, Amazon was identified as an outlier with a 365% return and was therefore excluded and thereafter it was found that the other businesses in the sample actually underperformed compared to the market. Sisodia (2013) still defends the principle, concluding that CC followers do have enhanced long-term performance but that they might not always show this due to still being subject to normal business fluctuations in a business cycle. Sundaram and Inkpen (2004) found that there was no clear relationship that shows whether performance is indeed better under a model such as CC. Omran, Atrill and Pointon (2002) also found that there was no significant difference in returns when comparing a shareholder-focused company to a stakeholder-focused company. It is very clear, therefore, that the literature is contradictory when considering the performance of the entities.

Entities that followed the CC principles were probably going to be involved in CSR activities because they would focus on looking after all stakeholders. Burke, Martin and Cooper (2011) show that 67% of business leaders in the United States had confidence that CSR made a significant contribution to net profits and 80% believed CSR added to the reputation of the business. Business profits would increase due to an increase in sales, growth in market share,

decreased operating costs, better brand position, improved corporate image, a greater ability to draw in employees, motivate and secure them, and increased attraction to investors and financial analysts. Businesses would still have to incur costs on CSR in order to succeed in getting these benefits, and sometimes the benefits received did not always exceed this cost incurred. Budan (2013), however, reports from an interview with John Mackey that CSR was not equivalent to CC. Mackey maintained that CSR was a way for businesses to improve their reputation and that businesses that applied CC had built social responsibility into their purpose (part of their higher purpose) and therefore were inherently socially responsible and did not need separate CSR projects.

Another concern of CC was that one stakeholder's interest would differ from another stakeholder's interest, and it was therefore virtually impossible to please all stakeholders in the real world (O'Toole and Vogel, 2011). Magaro (2010) agreed with this sentiment, concluding that no one can serve two masters and emphasising that directors could end up making poor decisions as there is no real accountability. Rauch (2011) suggested, however, that stakeholders of a business should be treated as though they were comparable to organs in a human body. In certain decisions, one 'organ' (stakeholder) would need to be favoured over the other in order to ensure the proper functioning of the 'body' (business). Effectively, each 'organ' was aligned and optimised to ensure a properly, fully functional 'body' and the result was a win-win-win situation for all. Such a goal was essential in a business. Others, such as Sundaram and Inkpen (2004), Omran et al. (2002), Waligo et al. (2014), Sandling (2014) and Mackey (2011), still insist that all stakeholders' interests can be met and that despite stakeholder differences, a common goal can be found among them to ensure long-term success for the business and stakeholder happiness.

### **2.2.3 Entity Maximisation and Sustainability (EMS)**

EMS, as a model, was suggested by Keay (2008), who argued that entrepreneurs should be focusing on maximising their own wealth rather than the wealth of any particular stakeholder, or group of stakeholders, while maintaining sustainability. He maintained that maximisation was not just measured through profits, as they were merely one part of business wealth and did not encompass wealth in its entirety. Maximisation would also benefit all stakeholders, as it would foster their common interests. The second part of the model was to maintain sustainability. The argument here was that, if sustainability was not upheld, the business would not survive in the long term (Keay, 2008). The origin of sustainability discussions goes further

back than Keay's suggestion of the EMS model. According to Høgevold et al. (2014), scholars have been researching such issues since the 1960s. In 1987, sustainable development was defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 1987:54). This definition has been reiterated in several different studies on sustainability, including those by Šimanskienė and Paužuolienė (2010), Bocken et al. (2013) and Seay (2015). However, there is no universally accepted definition yet, as the concept is still evolving (Høgevold et al., 2014).

Seay (2015) explains that following a model that encompasses sustainability would result in a business not only recognising the importance of making profits and growing, but also pursuing societal, environmental and governance goals to achieve long-term value creation and success. Wagner and Svensson (2014) agree with Seay's explanation and add that from observation it appears that most definitions of sustainability share core elements that incorporate economic, social and environmental considerations, all three of which need to be balanced so that they mutually reinforce each other (Høgevold et al., 2014). Business models that incorporate sustainability go beyond simply delivering economic value and also incorporate value for a broader range of stakeholders (Bocken et al., 2013). A sustainability approach therefore encompasses the triple bottom line approach (Høgevold et al., 2015).

The spheres of economic, social and environmental considerations incorporate many different aspects that businesses can focus on. Høgevold et al. (2015) and Dos Santos, Svensson and Padin (2014) provide a brief overview of what each pillar should be illustrating to any stakeholder of an entity:

- Economic pillar: A business should be illustrating its ability to be able to make profits.
- Environmental pillar: A business should be illustrating what impact it has on the environment. This entails showing how it has positively contributed to the environment as well as any negative impacts and how these have been improved or negated in later years.
- Social pillar: The social pillar should comprehend social interactions and values that the business has with people both internally and externally. This is perhaps the most difficult to show comprehensively, so most organisations illustrate this through CSR.

Seay (2015) explained that businesses are following the sustainability model, as it creates more value within a company, which reaches all stakeholders. In this it is different to other models that focus on either just one stakeholder or a handful of stakeholders. The investment in such

business practices is therefore warranted, as benefits flow to the business as well as to stakeholders (Dos Santos et al., 2014). Benefits that have been derived from sustainability efforts can be summarised into three broad themes:

- Improved company/brand image leading to competitive advantage: Consumers have a large impact on how the business performs, as, without them, the business will not be successful (Jones and George, 2011). It has been shown that consumers respond more positively to good company sustainability and commitment to economic sustainability and that some customers even pay a premium for such products resulting in market share growth for that company (Seay, 2015; Šimanskienė and Paužolienė, 2010).
- Cost savings: Cost savings are achieved through various avenues, but the most direct saving is through reducing items such as waste, energy, water and emissions (Seay, 2015).
- Enhanced employee recruitment and retention: Robbins et al. (2011) indicate that businesses that foster a favourable working environment through any means will result in a happy workforce. They further state that if you have a happy workforce there would be less employee turnover and the business would be able to recruit expertise easily, as they would be an employer of choice, both resulting in cost saving (Seay, 2015).

Despite all the evidence showing how sustainability creates value, Høgevold et al. (2015) say that measuring performance is not necessarily an easy task. Certain measures are easy to quantify as there are standard measures that can be applied to each and every company relatively easily, but most social and environmental activities that a business undertakes are unique and therefore are difficult to quantify using a standard measure (Høgevold et al., 2015).

There has been an increased focus on sustainability in order to achieve long-term growth in business. Seay (2015) states that issues of sustainability have become of increasing concern to humanity and for that reason sustainability has escalated into a central business concern. Lamb et al. (2010) also emphasise that customers are very aware of their impact on the environment as a result of consuming different products, and it will inevitably become difficult to sell items that are not environmentally friendly. The Global Reporting Initiative (GRI) was therefore formed in the 1990s in order to explore sustainability issues and how progress and goals related to these issues can be reported to users. This research has expanded from general

sustainability issues to industry-specific ones and in future companies (especially those listed on a securities exchange) are likely to have to report on such considerations (GRI, 2015).

## **2.3 RESEARCH METHODOLOGY**

The study followed a qualitative approach, using content analysis to determine findings and make conclusions. Content analysis entails the derivation of themes or categories from literature in order to apply data to the categories during the analysis stage. As part of this study, literature has been reviewed and presented in section 2.2. From this review it was evident that each possible primary objective of a company had a different focus; however, each focus entailed a focus on either some, all, or just one stakeholder. As a result, different stakeholders became the main themes to consider, six of which were identified: customers (consumers), employees (staff), suppliers, investors (shareholders), general society (community) and the environment.

Frequencies for each mention of such stakeholders in non-financial sections of the company's annual integrated report from 2010 to 2014 were recorded in order to ascertain a relativity of importance in accordance with the content analysis methodology. When considering frequencies, synonyms as identified in the literature have been grouped together and pronouns have been ignored due to the fact that such pronouns could replace any noun and not just a single stakeholder. Most companies reported similar reporting information, with the exception being the remuneration report that was produced only by Clicks (2010 to 2014) and Pick n Pay (2012 to 2014). Therefore in considering non-financial information the researchers decided to leave out the remuneration report to prevent a bias towards employees for those companies. As it is in the opinion of the researchers that such frequencies were not solely sufficient to draw a final conclusion, the financial statements were read in more detail to explore what each company was saying about, and doing for, each stakeholder. The frequencies and narrative were then considered to ascertain the extent of focus on each stakeholder. Where the extent of focus was solely on the investor, this was evidence of the neoclassical model and where the focus was divided among the different stakeholders, either EMS or CC was evidenced. To distinguish between EMS and CC, where an entity focused on sustainability of the entity and its wealth rather than only maximising stakeholder wealth, then EMS would apply. Therefore a further theme of sustainability was explored in the same manner as the stakeholders, before drawing a conclusion on the approach followed.

The population of the chosen sector (food and drug retailers) on the JSE comprises five different companies, namely: Spar, Pick n Pay Holdings, Pick n Pay Stores, Shoprite and Clicks. Upon further investigation it was noted that Pick n Pay Holdings' sole purpose was to hold a controlling share in Pick n Pay Stores (Pick n Pay, 2010) and the financial statements are presented in one consolidated document. Therefore both companies have been treated as one, resulting in four companies in the sector that represent the population, all of which have been analysed in this study.

## **2.4 FINDINGS AND DISCUSSIONS**

In the findings below, each company has been analysed from 2010 to 2014 using content analysis. Table 2.1 (Spar), Table 2.6 (Pick n Pay), Table 2.11 (Shoprite) and Table 2.15 (Clicks) all illustrate the frequencies of mentions of the six main stakeholders (F) and their relative frequencies to the total mentions over the period (%). These tables are then supported by a narrative on each stakeholder and on sustainability, to reach the conclusions shown in Section 2.5.

### **2.4.1 Spar**

#### ***2.4.1.1 Stakeholders***

Spar considers stakeholder needs and the value they bring to the group. The chairman indicates that the group undertook discussions to “ensure a deep understanding of the impact on all stakeholders” (Spar, 2014:9) when considering a large transaction. In 2010, it was also indicated that “the group understands the need to engage with its stakeholders who are not just interested in the financial aspects of the business, but are also interested in the social and environmental sustainability of the business” (Spar, 2010:25).

**Table 2.1: Spar stakeholder frequencies from 2010 to 2014**

	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>Total</u>	
	F	%	F	%	F	%	F	%	F	%	F	%
Customers/ Consumers	58	18%	32	17%	37	17%	30	17%	16	13%	173	17%
Employees/ Staff	86	27%	53	29%	43	19%	47	27%	40	32%	269	26%
Investors/ Shareholders	21	7%	22	12%	32	14%	25	14%	14	11%	114	11%
Society/ Community	32	10%	21	11%	43	19%	23	13%	16	13%	135	13%
Supplier	64	20%	30	16%	24	11%	17	10%	10	8%	145	14%
Environment	62	19%	26	14%	45	20%	32	18%	29	23%	194	19%
<b>Total</b>	<b>323</b>	<b>100%</b>	<b>184</b>	<b>100%</b>	<b>224</b>	<b>100%</b>	<b>174</b>	<b>100%</b>	<b>125</b>	<b>100%</b>	<b>1030</b>	<b>100%</b>

F, Frequencies of mentions in the non-financial sections of the company’s annual integrated report; %, percentage of total mentions

Source: Authors compiled using data from Spar (2010; 2011; 2012; 2013; 2014)

- *Customers*

Spar operates on a voluntary trading structure, meaning that each Spar store is individually owned and not owned by Spar itself. Spar therefore has direct customers (being the retailers who own the stores under the trading structure) and also has indirect customers (those who shop at the retail stores), both of which are an important focus, as retaining the indirect customers results in more being supplied to the retailers. Furthermore, retailers are not obliged to procure all their products from the Spar distribution centres; therefore there is a need to focus on the direct customer relationship in order to retain their procurement. Resources have been committed to both types of customers.

One of Spar’s strategic focuses is retailer support, ensuring that measures are in place to aid retailer success as part of their mission. Support services such as assisting retailers to make their stores appealing to customers through design and revamp assistance, encouraging merchandising best practice, assisting with public relations activities, and offering other training where necessary are some support mechanisms available to retailers (Spar, 2014). In 2012 more than R9 million was invested to assist in developing skills at retailers that would enhance customer service (Spar, 2012). Over and above this, for all five years analysed, Spar had an in-house customer care line to address any customer complaints as well as queries relating to all products sold at retailer stores. Consumer surveys and focus groups were also

held at retail store levels to gain feedback to continue to deliver quality products to their indirect consumer as well as aid retailers to improve their services (Spar, 2011).

- *Employees*

Employees are key to Spar and as such they have strived to ensure employee satisfaction (Spar, 2013), being named top employer in South Africa for 2014 and not being subject to much strike action (Spar, 2014). In-house training is made available not only to Spar staff, but Spar retailer staff too (Spar, 2012). Training and development programmes are focused on leadership, management, supervision and graduate trainees. Other training includes technical training (computer skills, driver training and first aid) and health and safety training. Wellness services are provided through onsite clinics on which an increasing amount of money has been invested each year (from 2 million in 2010 to 3 million in 2014). HIV/AIDS awareness campaigns have been launched, and these have been accompanied by counselling and support for HIV-positive employees. Spar has also committed itself to transformation, targeting level 3 BBBEE (Broad-based black economic empowerment) status, but only achieving level 6 (2010, 2011, 2012) or 7 (2014) status.

- *Suppliers*

Spar works in partnership with its suppliers (Spar, 2014) as it believes that strong collaborative relationships are important (Spar, 2011). Partnership initiatives include reducing packaging, creating transport efficiencies, maintaining low prices and even some social investment projects. Suppliers are audited to ensure compliance with Spar standards. Farmers have been trained on sustainable farming methods, growing from 21 farmers (Spar, 2011) to 41 farmers (Spar, 2014). Sourcing from local suppliers in the first instance has also been prioritised (Spar, 2010).

- *Investors (Shareholders)*

Spar highlighted performance statistics for shareholders to illustrate the growth in the company and value given back to shareholders (see Table 2.2).

**Table 2.2: Spar performance statistics from 2010 to 2014**

	2014	2013	2012	2011	2010
% increase in turnover	15%	9.80%	12.20%	10.40%	9%
% increase in headline earnings per share	12.50%	13%	10.60%	3.90%	12.10%
Dividends per share	540c	485c	430c	377c	362c

Source: Authors compiled using data from Spar (2010; 2011; 2012; 2013; 2014)

- *General Society*

Spar has contributed to society through various CSR initiatives, some of which benefit general society as well as other specific stakeholders. Broad focus areas have been on healthcare, hunger, poverty alleviation, safety and sports. CSR spend has increased over the years, but relative to net profits and revenues, it has been maintained (see Table 2.3).

**Table 2.3: Spar CSR spending from 2010 to 2014**

	2014	2013	2012	2011	2010
CSR spend (R millions)	13.2	11.8	11.4	9.6	9.3
CSR spend as a % of revenue	0.02%	0.03%	0.03%	0.03%	0.03%
CSR spend as a % of net profits	0.98%	0.99%	1.08%	1.01%	1.02%

Source: Authors compiled using data from Spar (2010; 2011; 2012; 2013; 2014)

- *Environment*

The group has created an environmental policy that focuses on reducing the negative impact of operations and making a positive contribution to preservation of the environment (Spar, 2010). In 2012 a three-day children’s conference was held to educate children on environmental issues (Spar, 2012). In 2013 specific goals were set with reference to reduction in electricity consumption, fuel emissions, waste to landfills and municipal water use (Spar, 2013). These have been monitored and in 2014 reflected as a 25% reduction in electricity usage, 14% reduction in total carbon footprint, more usage of biodiesel, rain water recycling and a new trailer prototype designed to reduce fuel costs and carbon dioxide emissions (Spar, 2014). Table 2.4 summarises environmental initiatives undertaken.

**Table 2.4: Spar environmental initiatives from 2011 to 2014**

	2014	2013	2012	2011
Energy consumed (kilowatt hours)	37 696 714	49 999 540	Not quantified	75 925 352
Recycling - cardboard (metric tonnes)	9 995	9 241	6 477	2 973
Recycling - plastic (metric tonnes)	1 037	925	569	282

Source: Authors compiled using data from Spar (2010; 2011; 2012; 2013; 2014)

### **2.4.1.2 Sustainability**

Spar’s prevailing purpose has been “To provide expert leadership and support to retailers to enable them to run sustainably profitable and professional business” (Spar, 2014:2). In furtherance of its purpose, Spar indicates that “focus is on stakeholder returns through a sustainable system” (Spar, 2014:39) and has ensured that sustainability thinking has been integrated into all aspects of its strategy. As a consequence of this chosen purpose, certain values are encompassed in its business model, including ones directly aimed at certain stakeholders and having a long-term focus. Sustainability has been an increasing focus for Spar (see Table 2.5).

**Table 2.5: Spar sustainability frequencies from 2010 to 2014**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Frequency of ‘sustain’</b>	100	72	48	31	23

Source: Authors compiled using data from Spar (2010; 2011; 2012; 2013; 2014)

### **2.4.2 Pick n Pay**

#### **2.4.2.1 Stakeholders**

Pick n Pay is committed to continuing and expanding its engagement with stakeholders each year (Pick n Pay, 2014) as, with this stakeholder focus, shared value can grow (Pick n Pay, 2013). The company produces a bi-annual sustainable living report which further emphasises its involvement with stakeholders.

**Table 2.6: Pick n Pay stakeholder frequencies from 2010 to 2014**

	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>Total</u>	
	F	%	F	%	F	%	F	%	F	%	F	%
Customers/ Consumers	216	40%	112	38%	86	35%	60	29%	43	33%	517	36%
Employees/ Staff	56	10%	35	12%	21	9%	40	19%	34	26%	186	13%
Investors/ Shareholders	108	20%	66	22%	44	18%	49	23%	34	26%	301	21%
Society/ Community	71	13%	23	8%	26	11%	16	8%	4	3%	140	10%
Supplier	47	9%	36	12%	30	12%	27	13%	9	7%	149	10%
Environment	44	8%	22	7%	36	15%	17	8%	8	6%	127	9%
Total	542	100%	294	100%	243	100%	209	100%	132	100%	1420	100%

F, Frequencies of mentions in the non-financial sections of the company's annual integrated report; %, percentage of total mentions

Source: Authors compiled using data from Pick n Pay (2010; 2011; 2012; 2013; 2014)

- *Customers*

Pick n Pay has three enduring business principles that it follows, one of them being customer sovereignty. It holds that “the customer is queen” (Pick n Pay, 2010:6) and has therefore appointed a customer director to gain customer feedback from various channels. Pick n Pay “puts customers at the heart” of its business and creates value for this stakeholder (Pick n Pay, 2014:11). At the end of the 2011 financial year, Pick n Pay launched its smart shopper loyalty programme, which claims to be the biggest loyalty programme in South Africa (Pick n Pay, 2012). The number of card holders after the first year of the programme sat at just over five million and had escalated to almost eight million by the end of the 2014 financial year, rewarding customers with points so they can reap savings themselves or transfer those savings to charitable affairs. A number of awards have been received, including most reputable retailer, most trusted retailer and South Africa's number one grocery store (Pick n Pay, 2014, 2013).

- *Employees*

In 2014 Pick n Pay employed approximately 50 000 people (Pick n Pay, 2014) and placed high priority on communication with these employees. Examples of how communication is effected include management updates, employee surveys, monthly publications, in-house television, in-house radio, training and unions. Pick n Pay is committed to developing the skills of employees and has spent an increasing amount on training and bursaries over the period under

review (55.2 million in 2010 increasing to 91.7 million in 2014). There are over 330 employee training programmes and in 2014 its own graduate recruitment programme was launched.

- *Suppliers*

Pick n Pay is passionate about supporting local suppliers, and has a particular focus on helping develop small businesses into becoming successful suppliers. Private label products sourced locally have increased from 88% (Pick n Pay, 2012) to 92% (Pick n Pay, 2014). A Small Business Incubator has also been developed where senior managers in the group are involved in ongoing mentorship of smaller entities – there are currently 72 of them (Pick n Pay, 2013) – to help develop them into suppliers. In 2014 R33 million was spent on technical support for suppliers, and all suppliers were subject to health, safety and environmental audits (Pick n Pay, 2014).

- *Investors (Shareholders)*

Pick n Pay highlighted performance statistics for shareholders to illustrate the growth in the company and value given back to shareholders (see Table 2.7). Pick n Pay also held an investment day in August 2013 to give shareholders an update on its strategies (Pick n Pay, 2014). It has an open-door policy when it comes to its shareholders (Pick n Pay, 2011).

**Table 2.7: Pick n Pay performance statistics from 2010 to 2014**

	2014	2013	2012	2011	2010
% increase in turnover	7.70%	7.10%	8.10%	5.90%	9.80%
% increase / (decrease) in headline earnings per share	43.30%	-30.90%	-13.50%	-22.90%	2.10%
Dividends per share	44.3c	40.8c	63.5c	69.3c	84.9c

Source: Authors compiled using data from Pick n Pay (2010; 2011; 2012; 2013; 2014)

- *General Society*

Pick n Pay engages with society through various CSR programmes that benefit both general society and other stakeholders in partnership with the Ackerman Pick n Pay Foundation (Pick n Pay, 2013). Examples of on-going projects during the period analysed include development of community gardens, donations of food and money to charities, assisting schools with educational material and small enterprise support. The total CSR spend has fluctuated over the years in actual amount and relative to revenue and net profits (see Table 2.8).

**Table 2.8: Pick n Pay CSR/CSI spending from 2010 to 2014**

	2014	2013	2012	2011	2010
CSI spend (R millions)	36	39.5	75.6	54.4	61
CSI spend as a % of revenue	0.06%	0.07%	0.14%	0.11%	0.12%
CSI spend as a % of net profits	6.19%	7.20%	6.80%	6.94%	5.13%

Source: Authors compiled using data from Pick n Pay (2010; 2011; 2012; 2013; 2014)

- *Environment*

Pick n Pay has focused on lowering its carbon footprint through reduction of energy usage as well as recycling, and it has been successful in this (see Table 2.9). Some achievements made in its environmental performance include being the highest-ranked retailer on Carbon Disclosure Project’s Climate Performance and Leadership Index in 2014, having its climate change strategy assessed as foremost among African businesses (Pick n Pay, 2014) and receiving awards, including most environmentally responsible South African retailer, grand prix winner for green awareness and most innovative environmental strategies. R55 million was invested in energy- efficient projects in 2014.

**Table 2.9: Pick n Pay Environmental Initiatives from 2010 to 2014**

	2014	2013	2012	2011	2010
Waste recycled (tonnes)	18 591	13 611	12 456	6 444	Not quantified
Energy use (gigawatt hours)	510	517	530	557	569
Carbon dioxide emissions (tonnes)	582 518	577 289	607 156	602 782	642 351

Source: Authors compiled using data from Pick n Pay (2010; 2011; 2012; 2013; 2014)

#### 2.4.2.2 Sustainability

One of its values and beliefs in relation to business principles is that “doing good is good business” (Pick n Pay, 2013:13): in other words, the growth of a company flows from doing good business. Pick n Pay (2012) emphasises that, by applying these principles, a solid platform will be formed for a sustainable business. It has been acknowledged that stakeholders have conflicting needs; however, the only way to ensure long-term sustainability is to balance the relevant stakeholder interests and ensure that a mutually beneficial relationship exists, and in 2014 this became a priority for Pick n Pay (Pick n Pay, 2014). In 2011, the CEO stated in his report that “sustainability has gained a foothold within our Company” (Pick n Pay, 2011:19), but evidence shows that the company has been committed to this business model since the early

1980s (Pick n Pay, 2013). The greater focus on sustainability, however, became evident only in 2011 (see Table 2.10).

**Table 2.10: Pick n Pay sustainability frequencies from 2010 to 2014**

	2014	2013	2012	2011	2010
Frequency of 'sustain'	86	85	81	82	39

Source: Authors compiled using data from Pick n Pay (2010; 2011; 2012; 2013; 2014)

## 2.4.3 Shoprite

### 2.4.3.1 Stakeholders

Shoprite acknowledges that it is central to long-term success to effectively engage with key stakeholders to identify solutions to drive business forward as a mutual interest. It also understands that the business and the communities within which it operates are interdependent and cannot stand alone (Shoprite, 2013).

**Table 2.11: Shoprite Stakeholder frequencies from 2010 to 2014**

	2014		2013		2012		2011		2010		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Customers/ Consumers	72	26%	68	24%	71	26%	75	32%	185	33%	471	29%
Employees/ Staff	66	23%	84	30%	81	29%	61	26%	145	26%	437	27%
Investors/ Shareholders	56	20%	61	22%	55	20%	22	9%	30	5%	224	14%
Society/ Community	24	9%	20	7%	18	6%	19	8%	65	11%	146	9%
Supplier	34	12%	26	9%	30	11%	38	16%	84	15%	212	13%
Environment	30	11%	22	8%	22	8%	20	9%	58	10%	152	9%
Total	282	100%	281	100%	277	100%	235	100%	567	100%	1642	100%

F, Frequencies of mentions in the non-financial sections of the company's annual integrated report; %, percentage of total mentions

Source: Authors compiled using data from Shoprite (2010; 2011; 2012; 2013; 2014)

- *Customers*

Shoprite values customers and their needs and as part of its strategy it has pinpointed one main customer need, low costs, and has geared itself to satisfying this need by successfully keeping

its internal food inflation below the official food inflation rate (see Table 2.12), preventing over R1 billion worth of price increases from reaching customers in 2014 (Shoprite, 2014).

**Table 2.12: Shoprite internal inflation versus official food inflation from 2010 to 2014**

	2014	2013	2012	2011	2010
Internal (Shoprite) inflation	4.70%	4.30%	4.90%	-0.10%	2.20%
Official food inflation	6.10%	6.10%	8.80%	3.20%	3.50%
Difference	-1.40%	-1.80%	-3.90%	-3.30%	-1.30%

Source: Authors compiled using data from Shoprite (2010; 2011; 2012; 2013; 2014)

In addition to ensuring low prices, Shoprite also ensures that customers have excellent service and sends staff for customer service training and training on the Consumer Protection Act. A customer feedback system has also been implemented to resolve any instances of negative feedback (Shoprite, 2011). From a customer point of view, AMPS (All Media and Products surveys) data has shown that Shoprite is valued by customers in that in 2010 Shoprite had the largest market share (Shoprite, 2010): 67% of South Africa's adult population claimed to buy groceries from stores in the Shoprite Group in 2012 (Shoprite, 2012), increasing to 70% in 2013 (Shoprite, 2013), and in 2014 it recorded the highest number of loyal, regular customers (Shoprite, 2014). Shoprite was also rated the number one supermarket when considering overall customer experience in the Sunday Times Top Brands awards and the Times/Sowetan Retail Awards (Shoprite, 2014).

- *Employees*

The Shoprite group is currently Africa's largest food retailer and employed 88 000 individuals in 2010 (Shoprite, 2010) and 123 000 in 2014 (Shoprite, 2014), an average annual increase of 7 000 individuals. Shoprite therefore acknowledges that it is of the utmost importance to train employees and maintain employee satisfaction in order to retain staff. Staff turnover has remained under 20%, favourable in comparison to the international industry average of 30.2%, and Shoprite has also ensured that transformation has taken place within its business having gone from a level 6 BBBEE rating in 2010 (Shoprite, 2010) to a level 4 rating in 2014 (Shoprite, 2014). Shoprite too has been involved in training employees and furthering their skills and in 2014 it was one of the largest contributors to skills development in South Africa (Shoprite, 2014). Bursaries were also issued to deserving candidates in order for them to attain tertiary qualifications prior to working for the company. In addition, a number of learners are completing three- and 12- month learnerships, and Shoprite has committed to employing 90% of the successful candidates (Shoprite, 2011; 2012; 2013). Employees can also take advantage

of free voluntary counselling and testing for HIV/AIDS (Shoprite, 2011). In 2014 this benefit was extended so that all employees, and their immediate families, were covered by the post-exposure prophylactics medication programme in case of accidental exposure to the HI virus (Shoprite, 2014).

- *Suppliers*

Shoprite recognises top suppliers annually in an awards ceremony. Local suppliers are also utilised, as opposed to international suppliers, in order to support the country (Shoprite, 2013). This includes small farmers and other small businesses (Shoprite, 2010). One supplier describes the relationship with Shoprite as win-win, “based on mutual respect and trust, with collaboration on logistics and planting programmes that enables proactive planning, forges mutual reliance and builds a long-term partnership” (Shoprite, 2014:25).

- *Investors (Shareholders)*

Shoprite highlighted performance statistics for shareholders to illustrate the growth in the company and value given back to shareholders (see Table 2.13).

**Table 2.13: Shoprite performance statistics from 2010 to 2014**

	2014	2013	2012	2011	2010
% increase in turnover	10.50%	12.10%	14.40%	7.30%	13.60%
% increase in headline earnings per share	3.30%	11.30%	19.60%	11.50%	13.50%
Dividends per share	350c	338c	303c	253c	227c

Source: Authors compiled using data from Shoprite (2010; 2011; 2012; 2013; 2014)

- *General Society*

Shoprite engages with the general society through various initiatives. The annual reports did not quantify the amount of money spent on CSR activities; however, they did indicate that more than 1% of net profits after taxation was spent on such projects each year. Some of the projects focused on are food donations, a soup kitchen feeding scheme, and supporting young artists and women entrepreneurs. Shoprite also creates opportunities for its customers to become involved in philanthropic initiatives through projects such as Pretty Things for Little Things (where clothes, blankets and toys are made and distributed to needy children), trolley collection campaigns and gift-wrapping services, where proceeds go towards charity (Shoprite, 2014).

- *Environment*

Shoprite has adopted the principles of waste avoidance first, followed by reduction, re-use and recycling (Shoprite, 2011). Steps have been taken to manage electricity consumption (Shoprite, 2012), a state of the art grey-water system has been installed at a distribution centre (Shoprite, 2013) and food waste has been minimised while recycling of cardboard and plastic has risen (Shoprite, 2014). It has collaborated with its carrier bag supplier to increase the use of recycled plastics to 100% (Shoprite, 2014).

#### 2.4.3.2 Sustainability

Shoprite recognises that sustainability should be a core aspect of corporate governance to ensure long-term success (Shoprite, 2010) and therefore established a Social and Ethics Committee to ensure responsible, ethical and sustainable operations (Shoprite, 2012). In the 2014 integrated report, Shoprite elaborated and indicated that their context of sustainability means focusing on customers, employees, the environment, suppliers, as well as the communities served (Shoprite, 2014) (see Table 2.14).

**Table 2.14: Shoprite sustainability frequencies from 2010 to 2014**

	2014	2013	2012	2011	2010
Frequency of 'sustain'	29	21	23	9	21

Source: Authors compiled using data from Shoprite (2010; 2011; 2012; 2013; 2014)

#### 2.4.4 Clicks

##### 2.4.4.1 Stakeholders

The Clicks annual reports contain many different reports in their non-financial information; however, many of the reports mainly focus on the group performance, rather than what has been done for stakeholders. The only report that focuses on stakeholders is the social and ethics committee report, illustrating more of a shareholder focus as opposed to general stakeholders (Clicks, 2010; 2011; 2012; 2013; 2014).

- *Customers*

Clicks has moderately mentioned its customers (see Table 2.15); however, part of its strategic objectives is to create a great customer experience and to drive customer loyalty through its ClubCard loyalty programme, and as part of its values it is passionate about customers (Clicks, 2014). The ClubCard loyalty programme is one of the biggest programmes in

South Africa and has grown steadily over the period reviewed, from 3 million to 4.7 million active card holders. A total of R240 million was given back to customers in cash-back vouchers in 2014, amounting to a total payback of over R1.1 billion over the five years (Clicks, 2014).

**Table 2.15: Clicks stakeholder frequencies from 2010 to 2014**

	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>Total</u>	
	F	%	F	%	F	%	F	%	F	%	F	%
Customers/ Consumers	50	22%	52	21%	69	21%	61	20%	50	17%	282	20%
Employees/ Staff	62	28%	65	27%	100	30%	115	37%	97	32%	439	31%
Investors/ Shareholders	71	32%	78	32%	100	30%	88	29%	79	26%	416	30%
Society/ Community	7	3%	7	3%	11	3%	5	2%	16	5%	46	3%
Supplier	4	2%	9	4%	18	5%	15	5%	13	4%	59	4%
Environment	31	14%	31	13%	33	10%	24	8%	48	16%	167	12%
<b>Total</b>	<b>225</b>	<b>100%</b>	<b>242</b>	<b>100%</b>	<b>331</b>	<b>100%</b>	<b>308</b>	<b>100%</b>	<b>303</b>	<b>100%</b>	<b>1409</b>	<b>100%</b>

F, Frequencies of mentions in the non-financial sections of the company's annual integrated report; %, percentage of total mentions

Source: Authors compiled using data from Clicks (2010; 2011; 2012; 2013; 2014)

- *Employees*

Clicks believes that an important business enabler is motivated and skilled staff, who operate in a values-driven culture that rewards them based on performance. In order to achieve success in this business enabler, they have embraced transformation and moved from a level 5 BBBEE score in 2010 (Clicks, 2010) to a level 3 in 2011, mainly as a result of a broad-based employee share ownership programme that was introduced (Clicks, 2011). The company has maintained a level 3 score, but has improved it from the lower end of the level to the upper end from 76.99 in 2011 to 80.54 in 2014. Proof of its efforts to transform is that Clicks was rated as most empowered company in the retail sector in a survey conducted by the Financial Mail in 2013 (Clicks, 2013). This has been achieved while increasing the number of workers from 7 289 to 8 089, and maintaining an employee turnover rate of 19-22%.

Clicks has also contributed a growing amount towards its bursary scheme that aids university students in paying for tuition and learning resources. Every year in excess of R40 million has been invested in learning and skills development for employees. A wellness programme is offered to permanent employees and their dependants, providing independent, confidential,

professional counselling and advisory services. Clicks attained an employee satisfaction rating of 65% in 2012 (Clicks, 2012) and was ranked first in the retail sector and within the top ten employers nationally by the Top Employers Institute in 2014 (Clicks, 2014).

- *Suppliers*

There has been little evidence that illustrates Clicks' focus on suppliers. In the periods reviewed, however, the annual reports did indicate that Clicks prefers to source merchandise from locally based and empowered suppliers, showing that it does support the local community.

- *Investors (Shareholders)*

In each year analysed it was noted that Clicks highlighted performance statistics for shareholders in several reports contained in the annual report to illustrate the growth in the company and value given back to shareholders (see Table 2.16). Its return on equity has remained the highest of the sector throughout the period reviewed.

**Table 2.16: Clicks performance statistics from 2010 to 2014**

	2014	2013	2012	2011	2010
% increase in turnover	9.20%	13.60%	9.20%	6.20%	9%
% increase in diluted headline earnings per share	12.90%	9.20%	9.50%	18.10%	27.40%
Dividends per share	190c	168c	152c	125c	106c
Return on equity	55%	54.52%	51%	67.44%	49.40%

Source: Authors compiled using data from Clicks (2010; 2011; 2012; 2013; 2014)

- *General Society*

Clicks invested just over 1% of profit after tax on CSR activities in each of the years reviewed. Furthermore, millions have been spent on enterprise development initiatives. Some of the activities that have been focused on include being collection points for state patient medication, offering free clinic services to mothers whose babies were born in state hospitals and who do not have medical cover, donating surplus stock and other items to charity, and donating to other beneficiaries that aid hearing-impaired individuals, child welfare and medical education.

- *Environment*

Clicks has dedicated itself to responding to climate change. Its focuses are on energy efficiency, water efficiency, water and waste management and distribution network optimisation (Clicks, 2014). It has been involved in recycling items such as plastic, paper and cardboard. In 2013 an initiative was implemented that involved capturing waste water from air-conditioning towers and recycling it to be used to flush toilets, resulting in about 80 000 litres of water being

saved in 2013 and 2014 (Clicks 2013; 2014). Carbon emissions have increased by 12 000 metric tonnes since 2010; however, this is partly attributable to the fact that the group has grown by just over 70 stores over this period.

#### ***2.4.4.2 Sustainability***

Clicks aims to create sustainable long-term shareholder value by utilising a retail-led health, beauty and wellness business model. The company reports that it uses its annual reports to demonstrate how shareholder value is being sustained over the time period. As such, the annual reports illustrate the material issues that have impacted or aided performance of the company and its sustainability for the short, medium and long term.

## **2.5 CONCLUSION**

It is evident from the findings that all four companies have considered each of the six major stakeholders, but each to different extents. They each also consider sustainability.

Spar's main concentration appears to be on its employees. It has also been established that its long-term goal is that of sustaining the group, with a concentration on the key stakeholders. Spar, therefore, does not focus solely on shareholder wealth, nor does it focus on general stakeholder wealth, but rather on ensuring that the company itself is sustained. It is consequently concluded that, based on the period reviewed, Spar's prevailing purpose is closest to that of the EMS model.

Pick n Pay appears to have a very strong focus on customers through differentiating itself based on its brand and loyalty programme. Despite this acknowledged attention, it does have a strong focus on sustainability of the group. Management has mentioned that without a certain extent of focus on stakeholders and their involvement, Pick n Pay would not be sustainable in the long term. The group therefore does not focus solely on shareholder wealth, nor on general stakeholder wealth, but rather on ensuring that the company itself is sustained. It is consequently concluded that, based on the period reviewed, Pick n Pay's prevailing purpose is closest to that of the EMS model.

In the 2013 integrated report, Shoprite states: 'the raison d'être of any business is to make a profit [but] in our modern society that can no longer happen in isolation' (Shoprite, 2013:11). This indicates that Shoprite believes that the objective of a business cannot merely be to make profits but rather that something over and above this needs to be done too. The neoclassical model is therefore not applicable. The five-year analysis of Shoprite reveals that Shoprite's

main emphasis is on customers through offering low-cost solutions in order for its business to remain sustainable. As such, the EMS model is the closest fit.

Lastly, Clicks, although not ignoring other stakeholders, has a strong focus on shareholders and creating value and returns for them, as its aim is to demonstrate how shareholder value is being sustained. While it does have a strong focus on employees, most of the annual report is aimed at illustrating to shareholders how their value has been increased year-on-year. Its focus, however, is not simply to make profits but rather to make these profits and sustain the group for the long term so that profits can continue to be made and distributed to shareholders. Therefore, it is concluded that the EMS model has been applied, but unlike other businesses in the sector, Clicks prefers to focus on shareholders, with less focus on other stakeholders.

Overall, it is evident that all the entities in the food and drug retail sector of the JSE appear to be following the entity maximisation and sustainability model, as opposed to the neoclassical or conscious capitalism model. It has been discovered that their approach to EMS differs, however. Pick n Pay and Shoprite, for instance, focuses more on customers (although the former through differentiation and the latter through a low-cost strategy), Spar focuses on employees, and Clicks focuses on shareholders in applying its approach.

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## CHAPTER 3

### JSE FOOD AND DRUG RETAIL SECTOR: A

### PURPOSE-PROFITABILITY PENTAGON ANALYSIS <sup>2</sup>

#### ABSTRACT

A company's purpose and profitability are useful information to assist stakeholder decision-making. This study creates an analysis technique that concurrently displays profitability and purpose to aid stakeholder decision-making: the purpose-profitability pentagon analysis. The JSE food and drug retail sector was utilised to test and illustrate the technique. Content analysis from an existing study was expanded to determine purpose combined with an analysis and ranking of five profitability ratios. The entity maximisation and sustainability model was dominant, with each company focussing on a different stakeholder. Clicks was the most profitable, followed by Shoprite, Spar and Pick n Pay.

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<sup>2</sup> This chapter is a co-authored article by Gregory and Chasomeris. Vanessa Gregory was responsible for generating the research objective, gathering the data, performing the analyses, concluding and writing the article. Mihalis Chasomeris contributed to conceptualising the purpose-profitability pentagon analyses as well as reviewing and providing guidance throughout the research process. An earlier version of this article was presented at the South African Accounting Association International conference held at Champagne Sports Resort, Drakensburg, South Africa from 28 to 30 June 2017.

### 3.1 INTRODUCTION

Profitability and sustainability are key goals for all listed companies (Azzam et al., 2020; Beck, Frost and Jones, 2018; Crous, Battisti and Leonidou, 2021). These companies survive by using internal and external information to make strategic decisions regarding business activities (Jansen et al., 2013), with profitability of a company relative to competitors being of great interest (Fleisher and Bensoussan, 2015). Company stakeholders have a growing interest in information regarding different companies so that decisions can be made. A multitude of information is made available by listed companies through published annual financial statements to aid stakeholders in their decision making, however, this can be time-consuming to analyse (Service, 2022).

Recent research has focused on a company's primary objective (purpose) and its profitability with a number of studies statistically analysing the link between the two variables and arriving at conflicting results (Azzam et al., 2020; Crous et al., 2021; Sampong et al., 2018). Studies have indicated that stakeholders are interested in both the purpose as well as profitability in their decision making and that such information is useful to them (Buys, Oberholzer, and Andrikopoulos, 2011; de Klerk and de Villiers, 2012). There is no identified research that combines, in a summarised presentation, both a content analysis of company financial statements to determine their primary purpose as well as a ratio analysis to compare the profitability for competing companies.

The purpose of this study was to develop an analysis technique whereby both profitability and purpose are displayed to stakeholders concurrently to inform their decision-making processes. Three models representing company purpose have been identified in the literature, namely: neoclassical, conscious capitalism and entity maximisation and sustainability (EMS). Gregory and Chasomeris (2016) established the purpose of companies listed on the Johannesburg Securities Exchange (JSE) within the food and drug retail sector using a content analysis study. The current study expands these results on company purpose to a ten-year period and builds onto it with an analysis of profitability. The profitability analysis is achieved through calculation and ranking of financial ratios. Then, both the company purpose and profitability are displayed in a single comparative diagram referred to as the purpose-profitability pentagon.

Although only one sector is featured in this study, it forms the basis of further studies into presenting financial and non-financial information in a single setting and could be reperformed

for other sectors. Through computer programming, on a user's selection of period and companies of interest, the related purpose-profitability pentagon and summary table could automatically be displayed. The value of the purpose-profitability pentagon analysis will be that the multitude of information contained in thousands of pages of published annual integrated reports and annual financial statements over the selected period of interest would be represented in a single-setting for stakeholders to use in their decision making.

## **3.2 LITERATURE REVIEW**

Key findings of the literature reviewed are explained under the following headings.

### **3.2.1 Primary purpose of a company**

There has been an influx of research on how a company's primary purpose or objective would impact on their performance. Gregory and Chasomeris (2016) identified three types of models that represent the objective of a company, namely: neoclassical, conscious capitalism and entity maximisation and sustainability (EMS).

The neoclassical model represents the view that a company's primary objective is to maximise profits (Jones and Felps, 2013; Loderer et al., 2010; Magaro, 2010). Keay (2008), supported by Stout (2013). Jones and Felps (2013), illustrated that this view had a short-term emphasis and such an application would not keep a company going in the long-term. Halburd (2014) added that the model destroyed shareholder value and had resulted in the life span of companies becoming reduced over the preceding thirty years, indicating that following the shareholder-focussed model did not produce optimum results. Elson (2010), Magaro (2010) and Sundaram and Inkpen (2004), however, supported the shareholder-focussed model and viewed it as the most profitable.

The conscious capitalism model, also referred to as the stakeholder model, incorporates all stakeholders (in contrast to the neoclassical model that focuses only on shareholders) and follows four essential principles, namely: higher purpose, stakeholder orientation, conscious leadership and conscious culture (Mackey, 2011; O'Toole and Vogel, 2011; Sisodia, 2011; Wang, 2013). The model has been successfully applied by companies such as Whole Foods (Mackey and Sisodia, 2013) and Container Store (Tindell, Keegan, and Shilling, 2014). Literature on the conscious capitalism model showed differing results on profitability. Aburdene (2013) and Sisodia (2011) showed that companies that applied conscious capitalism

were more profitable than those that did not whereas Omran, Atrill, and Pointon (2002) and Sundaram and Inkpen (2004) were indifferent and Wang (2013) showed that applying conscious capitalism was less profitable than applying other models.

The EMS model supported the viewpoint that companies should be focussing on maximising their own wealth rather than the wealth of any particular stakeholder (as in the neoclassical model) or group of stakeholders (as in the conscious capitalism model) whilst maintaining sustainability, resulting in the company continuing as a going concern and surviving in the long-term (Keay, 2008). The EMS model is a growing area of research when ascertaining whether it is more profitable than others to adopt or not. Some studies have shown that following sustainability practices produced more profitable results than those who did not apply sustainability practices (Amacha and Dastane, 2017; Ameer and Othman, 2012; Azzam et al., 2020; Beck et al., 2018; de Klerk and de Villiers, 2012; Sampong et al., 2018; Seay, 2015), whilst other studies concluded it was less profitable to apply sustainability practices (Detre and Gunderson, 2011; López, Garcia and Rodriguez, 2007). A number of studies showed that statistical analysis neither confirmed nor refuted the hypothesis that sustainability practices result in more profitable results (Aggarwal, 2013; Buys et al., 2011; Dube, 2017; Kasbun, Heng and San Ong, 2016). Of the above research, only Buys et al. (2011), de Klerk and de Villiers (2012) and Dube (2017) used South African companies in their analyses.

Gregory and Chasomeris (2016) investigated the purpose of companies listed on the JSE within the food and drug retail sector using a content analysis study. Table 3.1 summarises the findings from the aforementioned study of financial statements from 2010 to 2014. Gregory and Chasomeris' (2016) research established that all four companies within the food and drug retail sector (Spar, Pick n Pay, Shoprite and Clicks) appeared to follow the EMS approach when strategising their business activities as evidenced by the details given in their annual reports from 2010 to 2014. Further analysis revealed that each company appeared to have chosen to focus on a different stakeholder whilst following the EMS approach, namely: Spar on employees, Pick n Pay on customers with a differentiation strategy and Shoprite on customers with a low cost strategy. Clicks had a strong focus on both shareholders (30% mention) and employees (31% mention), with further analysis into the contents of the annual report revealing that the report was aimed at illustrating to shareholders how their value increased. The study concluded that Clicks' focus was inevitably on shareholders whilst following an EMS approach.

**Table 3.1: Content analysis of financial statements, 2010 to 2014**

	<u>Clicks</u>		<u>Shoprite</u>		<u>Spar</u>		<u>Pick n Pay</u>	
	F	%	F	%	F	%	F	%
Customers/ Consumers	282	20%	471	29%	173	17%	517	36%
Employees/ Staff	439	31%	437	27%	269	26%	186	13%
Investors/ Shareholders	416	30%	224	14%	114	11%	301	21%
Society/ Community	46	3%	146	9%	135	13%	140	10%
Supplier	59	4%	212	13%	145	14%	149	10%
Environment	167	12%	152	9%	194	19%	127	9%
Total	1409	100%	1642	100%	1030	100%	1420	100%

F, Frequencies of mentions in the non-financial sections of the company's annual integrated report; %, percentage of total mentions.

Source: Gregory and Chasomeris (2016)

### 3.2.2 Profitability Analysis

A company and its stakeholders need to assess overall profitability and be able to compare such profitability to competitors (Fleisher and Bensoussan, 2015). Such an analysis would incorporate assessing how a company's own performance has varied from year to year as well as how that year-on-year performance differs from their competitors (Fleisher and Bensoussan, 2015). Externally reported information (such as annual financial statements) would be used to discover a competitors' performance. The main financial statement that shows a company's profitability is the Income Statement (Kew and Watson, 2012). Some companies refer to this statement as the Statement of Comprehensive Income or the Statement of Profit or Loss and Other Comprehensive Income (Service, 2022). An Income Statement shows current year income less expenses resulting in net profit (loss) and is an indication of profitability in the current year (Kew and Watson, 2012). Assessment and comparisons of profitability of companies is mainly performed using financial analysis (Bansal, 2015).

Financial analysis can be performed either using common-sizing (vertical and horizontal analysis) or using ratio analysis. Of these, ratio analysis is the most commonly used technique (Bansal, 2015; Galant and Cadez, 2017).

Vertical analysis refers to a company representing any one of the financial statements in percentage form (Service, 2022). For each statement a base is determined, generally revenue for the income statement and total assets for the statement of financial position. All other figures within that statement are then reflected as a percentage of that base figure (Kew and Watson, 2012). In competitive analysis, vertical analysis would be performed for the company and their competitors and then the relative percentages can be compared from company to company and subsequently analysed.

In contrast, base-year analysis (also known as horizontal analysis) refers to a company representing any one of the financial statements in percentage form with one year (the base year) being equal to 100. For years subsequent or prior to that base year, all the statements will be reflected as a percentage of that base year figure. The results would indicate whether a company has improved or declined relative to the base year (Kew and Watson, 2012; Service, 2022). In competitive analysis, base-year analysis would be useful to determine whether one company has improved when another has deteriorated or vice versa.

Ratio analysis is defined by BusinessDictionary (2015: 1) as the “single most important technique of financial analysis in which quantities are converted into ratios for meaningful comparisons”. Agala and Borhade (2014) expanded upon the aforementioned definition indicating that ratio analysis involves calculating a ratio in order to illustrate a relationship between two variables and how they influence each other. Ratios can fall into five major categories: liquidity, leverage, asset efficiency, profitability and market ratios (Kew and Watson, 2012).

The profitability ratio category is one of the five ratio categories (Öztürk and Özçelik, 2014) and can be used when doing a competitive analysis to compare performance (Delen, Kuzey and Uyar, 2013). Such ratios measure the effectiveness of a company generating profits on sales, asset base, equity and total capital employed (Öztürk and Özçelik, 2014). Five ratios have been identified in the profitability category: gross profit percentage, net profit percentage, return on assets, return on equity and return on capital employed (Bansal, 2015; Delen et al., 2013; Öztürk and Özçelik, 2014). Such ratios can be compared across time and across competitor firms to aid in determining how well a company has performed and contrast this to their competitors (Kew and Watson, 2012; Service, 2022).

### **3.3 RESEARCH METHODOLOGY**

The purpose of this study was to create an analysis technique whereby both profitability and purpose are displayed to stakeholders concurrently to inform their decision-making processes and thus entails research into two key variables: company purpose and profitability.

Content analysis involves the extraction of themes or categories to analyse data and has often been used in accounting research (Beattie, 2005; de Villiers, Dumay and Maroun, 2019). The method could either be quantitative or qualitative in nature, but, when used as a combined approach would produce more rounded results (Merkl-Davies, Brennan and Vourvachis, 2011). This study has followed the combined content analysis approach through the adoption of the methodology followed by Gregory and Chasomeris (2016) to determine company purpose for four JSE listed companies in the food and drug retail sector (Clicks, Shoprite, Pick 'n Pay and Spar). The study used quantitative content analysis to determine the frequencies of mentioning six stakeholders: customers (consumers), employees (staff), suppliers, investors (shareholders), general society (community) and the environment. Thereafter qualitative content analysis was used to explore the narrative within the non-financial sections of annual integrated reports to ascertain the extent of focus on each stakeholder and to conclude on the company purpose. The result being an expansion of the Gregory and Chasomeris (2016) study from a five-year period from 2010 to 2014 to a ten-year period of analysis from 2009 to 2018.

As explained in the literature review, ratios fall into five different categories and the relevant category for this analysis is profitability. The five profitability ratios used in this study are gross profit percentage, net profit percentage, return on assets, return on equity and return on capital employed. Published annual financial statements of each company for the year ended 2009 to 2018 were utilised to calculate the ratios. Such information was considered reliable as all published financial information was audited by an independent auditor. Each profitability ratio was calculated, analysed and ranked annually for each company within the sector. The ranking entailed assigning a four to the most profitable company according to each profitability ratio annually from 2009 to 2018 through to a one for the least profitable company. An overall profitability ranking was arrived at after considering all five profitability ratios and visually shown on a spider diagram alongside the company purpose. Through the area depicted on the spider diagram, conclusions were drawn regarding which company was observed to have a higher profitability. This innovative technique has been named the purpose-profitability pentagon analysis.

## 3.4 RESULTS AND DISCUSSION

### 3.4.1 Content analysis

Table 3.2 shows the results from the content analyses of the non-financial sections of the company's annual integrated reports. It shows the frequencies of mentions (F) of the six main stakeholders and their frequencies relative to the total mentions over the period (%). The analysis was further divided into the period before the Gregory and Chasomeris (2016) study (2009), during the study (2010 to 2014) and after the study (2015 to 2018) to explore the changes between the periods. The consolidated results over the ten-year period revealed similar results to those presented by Gregory and Chasomeris (2016) with Clicks showing a strong focus on both shareholders (28% mention) and employees (29% mention), Pick n Pay on customers (41% mention), Shoprite on customers (32% mention) and Spar on employees (26% mention).

In 2009, Clicks mentioned employees 92 times and shareholders 54 times. Thirty-six of the 92 mentions of employees appeared in the social sustainability section within the sustainability report where statistics of staff demographics and turnover were illustrated. Most of the report did focus on financial performance and enhancing returns for shareholders, with management believing that sustainable development would benefit all stakeholders (Clicks, 2009). From 2010 to 2014 employees were mentioned 439 times and shareholders 416 times, however, the reports within the non-financial section mainly focussed on group performance and demonstrated how shareholder value was being sustained and thus had a shareholder focus (Gregory and Chasomeris, 2016). In the period 2015 to 2018 the mention of shareholders and employees was still high but decreased below the mention of customers at 297 (33% mention). Clicks specified that the integrated report was primarily aimed at shareholders but did recognise that other stakeholders did influence creation of sustainable value (Clicks, 2015; 2016; 2017; 2018). Clicks (2018: 17) reiterated that "the group aims to create sustainable value for shareholders and other key stakeholders". Customers were highlighted as one of the other key stakeholders and Clicks gave information regarding their ClubCard loyalty programme, who their customer base was and the creation of positive customer experiences. One of Clicks' values was also to be truly passionate about their customers. The narrative combined with the content analysis of Clicks point to an EMS model with a shareholder focus.

Unlike Clicks, Pick n Pay and Shoprite both showed a focus on customers throughout the period. In 2009 Pick n Pay mentioned customers 53 times (38% mention), from 2010 to 2014

517 times equating to a 36% mention and increasing to 874 or 45% mention in the period spanning 2015 to 2018. Shoprite's mention of customers did not grow identically to Pick n Pay, but showed a 38% mention in 2009, a 29% mention from 2010 to 2014 and a 32% mention from 2015 to 2018. Pick n Pay specified that they were passionate about customers (Pick n Pay, 2009) and put them at the heart of their business. One of their three enduring values was customer sovereignty, a value that was persistent over the ten-year analysis period. The smart shopper loyalty programme was launched in 2011 as part of Pick n Pay's business transformation and Pick n Pay also received a number of awards relating to customers (Gregory and Chasomeris, 2016). Another customer centred initiative, Brand Match, was launched in 2015 and carried through to 2018 (Pick n Pay, 2015; 2018). The Pick n Pay annual integrated reports indicated that customers were put first with their needs being investigated to continue being a customer-led company. A dedicated customer director was also appointed and used for customer engagement. Regardless of the customer centric focus by Pick n Pay, the reports still showed that sustainability was a key focus area with the Board of Directors supporting efforts to ensure long-term sustainability and business value creation (Pick n Pay, 2016; 2017; 2018). Through all ten years, Shoprite placed a consistent emphasis on illustrating that their internal food inflation was below the official inflation and highlighted that price increases were being prevented from reaching customers. The company stood committed to promoting sustainability in the long-term and specified that stakeholder engagement was critical to achieve this. It is therefore concluded that Pick n Pay and Shoprite both follow the EMS model with a focus on customers, but with Pick n Pay having a differentiation focus and Shoprite a low-cost focus.

**Table 3.2: Stakeholder frequencies from 2009 to 2018**

	<b>Clicks</b>							
	<b>2009</b>		<b>2010 to 2014<sup>1</sup></b>		<b>2015 to 2018</b>		<b>Total</b>	
	F	%	F	%	F	%	F	%
Customer/Consumer	44	17%	282	20%	297	33%	623	24%
Employees/Staff	92	35%	439	31%	220	24%	751	29%
Investors/Shareholders	54	20%	416	30%	244	27%	714	28%
Society/Community	15	6%	46	3%	23	3%	84	3%
Supplier	13	5%	59	4%	42	5%	114	4%
Environment	48	18%	167	12%	73	8%	288	11%
<b>Total</b>	<b>266</b>	<b>100%</b>	<b>1409</b>	<b>100%</b>	<b>899</b>	<b>100%</b>	<b>2574</b>	<b>100%</b>

	<b>Pick n Pay</b>							
	<b>2009</b>		<b>2010 to 2014<sup>1</sup></b>		<b>2015 to 2018</b>		<b>Total</b>	
	F	%	F	%	F	%	F	%
Customer/Consumer	53	38%	517	36%	874	45%	1444	41%
Employees/Staff	35	25%	186	13%	221	11%	442	13%
Investors/Shareholders	12	9%	301	21%	211	11%	524	15%
Society/Community	9	6%	140	10%	301	15%	450	13%
Supplier	19	14%	149	10%	191	10%	359	10%
Environment	11	8%	127	9%	158	8%	296	8%
<b>Total</b>	<b>139</b>	<b>100%</b>	<b>1420</b>	<b>100%</b>	<b>1956</b>	<b>100%</b>	<b>3515</b>	<b>100%</b>

	<b>Shoprite</b>							
	<b>2009</b>		<b>2010 to 2014<sup>1</sup></b>		<b>2015 to 2018</b>		<b>Total</b>	
	F	%	F	%	F	%	F	%
Customer/Consumer	128	38%	471	29%	523	34%	1122	32%
Employees/Staff	66	19%	437	27%	263	17%	766	22%
Investors/Shareholders	18	5%	224	14%	165	11%	407	12%
Society/Community	32	9%	146	9%	227	15%	405	11%
Supplier	50	15%	212	13%	228	15%	490	14%
Environment	46	14%	152	9%	143	9%	341	10%
<b>Total</b>	<b>340</b>	<b>100%</b>	<b>1642</b>	<b>100%</b>	<b>1549</b>	<b>100%</b>	<b>3531</b>	<b>100%</b>

	<b>Spar</b>							
	<b>2009</b>		<b>2010 to 2014<sup>1</sup></b>		<b>2015 to 2018</b>		<b>Total</b>	
	F	%	F	%	F	%	F	%
Customer/Consumer	14	12%	173	17%	239	25%	426	20%
Employees/Staff	44	37%	269	26%	235	24%	548	26%
Investors/Shareholders	15	13%	114	11%	80	8%	209	10%
Society/Community	11	9%	135	13%	147	15%	293	14%
Supplier	9	8%	145	14%	142	15%	296	14%
Environment	26	22%	194	19%	118	12%	338	16%
<b>Total</b>	<b>119</b>	<b>100%</b>	<b>1030</b>	<b>100%</b>	<b>961</b>	<b>100%</b>	<b>2110</b>	<b>100%</b>

F, Frequencies of mentions in the non-financial sections of the company's annual integrated report; %, percentage of total mentions

<sup>1</sup>Source: Gregory and Chasomeris (2016)

Author compiled using data from Clicks (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018), Shoprite (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018), Pick n Pay (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018) and Spar (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018)

Spar showed a focus on employees in 2009 with 44 mentions (37%), the period from 2010 to 2014 had a 26% mention and 2015 to 2018 showed a high mention of employees (235 times or 24%) but also a similar mention of customers (239 times or 25%). Throughout all ten years, SPAR has indicated that their employees are their most valuable asset. They have strived to ensure employee satisfaction, achieving a top employer award in 2014 (Spar, 2014). Spar does not only focus on their own direct employees, but also the employees of their retailers through provision of training as well as forming a trust for a share scheme (Spar, 2009; 2018). This is the same with customers, Spar focuses on both their direct customers and those of their retailers. In 2015, Spar launched their rewards programme and therefore there was an increase in the number of times customers were mentioned (Spar, 2015). Sustainable growth has remained Spar's ultimate goal and in 2015 Spar won an award for outstanding commitment to sustainability (Spar, 2015). The 2017 and 2018 integrated reports mention that Spar has made a sustainability pledge in an effort to create shared value (Spar, 2017; 2018). Considering all ten-years, the holistic conclusion is that Spar follows the EMS model with a focus on employees.

As evidenced through Table 3.2 and the discussions above, each of the four companies has continued to consider the six major stakeholders to differing extents. The content analysis showed that the prevailing purpose for all four companies analysed has remained the EMS model throughout the ten-year period, although their approach to the model does differ evidenced by the mentions of stakeholders having fluctuated over the period. Pick n Pay and Shoprite focus more on customers, Spar on employees and Clicks on shareholders.

### **3.4.2 Profitability analysis and ranking**

The profitability ratios for each company are detailed in Table 3.3 together with descriptive statistics for the analysis of profitability. An overall profitability ranking table was derived (Table 3.4) and used to arrive at the profitability pentagon that shows which company displayed the most profitable results for the given period.

#### **3.4.2.1 Gross profit percentage (GP%)**

The GP% signifies the percentage of sales revenue remaining after subtracting cost of sales (Kew and Watson, 2012). The formula for gross profit ratio is: gross profit divided by sales multiplied by 100 (Kew and Watson, 2012). Different companies require different GP%s due

to the nature of operations: some companies need higher percentages as they have other operating costs that need to be covered whereas others can have low percentages because their other expenses are not as large. A high GP% does not necessarily mean that ultimately a company will be profitable. For this reason, other ratios need to also be looked at in relation to the gross profit percentage to arrive at a more accurate conclusion. A high gross profit does, however, indicate that the company is more likely to be able to cover other operating costs easier than a company with a lower GP% (Kokemuller, 2015).

Table 3.3 shows that all companies have maintained their GP% at their chosen level and, whilst not deviating from the mean by substantial amounts, the GP%s have shown an upward trend. Shoprite showed the biggest increase in GP% in 2017 from 20.95% in 2016 to 23.99% in 2017. The increase mainly resulted from a reclassification of advertising rebates since, using restated 2016 figures, the GP% would measure 23.58% (Shoprite, 2017). This reclassification occurred for Spar in 2018 (2017 restated figures resulted in a GP% of 10.71%) (Spar, 2018) and for Pick n Pay in 2018 (2017 restated figures resulted in a GP% of 18.66%) (Pick n Pay, 2018). Spar GP% showed bigger increases from the 2015 financial year with the GP% increasing by 0.43 percentage points and in subsequent years by 0.58 percentage points (2016) and 0.82 percentage points (2017). These increases arose due to the acquisition of the Irish operations effective from 1 August 2014 (Spar, 2014; 2015) and Swiss operations effective from 1 April 2016 (Spar, 2016) that “service the higher margin convenience sector” (Spar, 2017: 16). Spar follows a different operation structure as they do not own their stores but rather rely on distribution centres that supply goods to voluntary traders and therefore can afford to have a lower GP% due to lower operating costs (Spar, 2014). Pick n Pay, Shoprite and Clicks have GP%s around similar levels as they operate according to a similar operating structure of owning their own stores from which they operate with Pick n Pay and Shoprite also having a few franchisees (Clicks, 2014; Pick n Pay, 2014; Shoprite, 2014). Clicks achieved the highest GP% up until 2014 and thereafter the second highest. Shoprite had the second highest GP% up until 2014 and thereafter the highest. Pick n Pay was consistently the third highest GP% and Spar consistently the lowest.

**Table 3.3: Profitability ratios and descriptive statistics (2009 to 2018)**

	<u>Gross Profit %</u>				<u>Net Profit %</u>				<u>Return on Assets %</u>				<u>Return on Equity %</u>				<u>Return on Capital Employed %</u>			
	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR
2009	20.68	19.29	18.97	8.04	3.88	3.40	2.10	2.33	11.30	12.06	9.91	11.39	42.00	40.14	61.83	38.41	32.75	34.83	34.48	34.67
2010	21.87	19.66	18.56	7.92	4.25	3.39	2.17	2.63	13.72	12.71	10.62	12.16	49.40	38.30	55.44	41.87	39.21	32.65	33.62	38.21
2011	22.86	20.30	17.49	8.12	4.62	3.50	1.51	2.48	15.30	12.22	7.07	11.47	67.44	35.41	36.36	38.26	52.92	30.65	22.16	35.20
2012	22.51	20.52	18.04	7.98	4.46	3.68	2.01	2.45	14.41	9.85	9.42	10.70	51.03	23.76	46.32	37.32	42.09	17.05	27.74	34.45
2013	21.56	20.95	17.73	8.06	4.28	3.90	0.93	2.51	13.79	10.80	4.23	12.17	54.59	23.70	22.79	37.46	46.13	17.98	13.39	34.99
2014	21.53	20.81	17.49	8.26	4.52	3.66	0.92	2.47	13.97	9.23	4.14	7.94	55.19	21.64	21.60	44.44	46.66	16.39	12.99	22.50
2015	20.50	20.68	17.85	8.69	4.33	3.64	1.29	1.94	12.63	9.41	5.86	7.35	47.43	21.58	27.53	42.69	41.12	16.66	18.10	19.74
2016	20.75	20.95	17.90	9.27	4.53	3.73	1.47	2.00	13.06	10.04	6.42	6.63	44.61	22.65	27.33	32.16	38.28	21.17	20.37	13.72
2017	20.98	23.99	17.99	10.09	4.77	3.85	1.60	1.91	13.14	9.75	6.87	6.45	38.71	19.59	30.48	27.68	34.51	18.59	22.30	13.07
2018	21.13	23.90	18.70	10.68	5.05	3.59	1.59	1.81	12.76	8.43	6.83	5.85	33.32	18.97	32.22	25.70	30.26	16.79	22.79	12.06
Mean	21.44	21.11	18.07	8.71	4.47	3.63	1.56	2.25	13.41	10.45	7.14	9.21	48.37	26.57	36.19	36.60	40.39	22.28	22.79	25.86
Std Dev	0.7898	1.5925	0.5077	0.9820	0.3175	0.1712	0.4421	0.3032	1.0957	1.4385	2.2306	2.5859	9.6172	8.0765	13.8440	6.2513	6.9449	7.3952	7.3887	10.6701
Range	2.36	4.70	1.48	2.76	1.17	0.51	1.25	0.82	4.00	4.28	6.48	6.32	34.12	21.17	40.23	18.74	22.66	18.44	21.49	26.15
Min	20.50	19.29	17.49	7.92	3.88	3.39	0.92	1.81	11.30	8.43	4.14	5.85	33.32	18.97	21.60	25.70	30.26	16.39	12.99	12.06
Max	22.86	23.99	18.97	10.68	5.05	3.90	2.17	2.63	15.30	12.71	10.62	12.17	67.44	40.14	61.83	44.44	52.92	34.83	34.48	38.21

CLI, Clicks; SHP, Shoprite; PNP, Pick n Pay

Author compiled using data from Clicks (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018), Shoprite (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018), Pick n Pay (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018) and Spar (2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017; 2018)

**Table 3.4: Profitability scoring and ranking (2009 to 2018)**

	<u>Gross Profit %</u>				<u>Net Profit %</u>				<u>Return on Assets %</u>				<u>Return on Equity %</u>				<u>Return on Capital Employed %</u>			
	CLI <sup>1</sup>	SHP <sup>2</sup>	PNP <sup>3</sup>	SPAR <sup>4</sup>	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR	CLI	SHP	PNP	SPAR
2009	4	3	2	1	4	3	1	2	2	4	1	3	3	2	4	1	1	4	2	3
2010	4	3	2	1	4	3	1	2	4	3	1	2	3	1	4	2	4	1	2	3
2011	4	3	2	1	4	3	1	2	4	3	1	2	4	1	2	3	4	2	1	3
2012	4	3	2	1	4	3	1	2	4	2	1	3	4	1	3	2	4	1	2	3
2013	4	3	2	1	4	3	1	2	4	2	1	3	4	2	1	3	4	2	1	3
2014	4	3	2	1	4	3	1	2	4	3	1	2	4	2	1	3	4	2	1	3
2015	3	4	2	1	4	3	1	2	4	3	1	2	4	1	2	3	4	1	2	3
2016	3	4	2	1	4	3	1	2	4	3	1	2	4	1	2	3	4	3	2	1
2017	3	4	2	1	4	3	1	2	4	3	2	1	4	1	3	2	4	2	3	1
2018	3	4	2	1	4	3	1	2	4	3	2	1	4	1	3	2	4	2	3	1
Total Profitability Rank <sup>5</sup>	36	34	20	10	40	30	10	20	38	29	12	21	38	13	25	24	37	20	19	24
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	2 <sup>nd</sup>

CLI, Clicks; SHP, Shoprite; PNP, Pick n Pay

Notes: 1: Clicks primary purpose, Entity maximisation and sustainability model (EMS) with a shareholder focus

2: Shoprite primary purpose, EMS with a low-cost customer focus

3: Pick n Pay primary purpose, EMS with a differentiation customer focus

4: Spar primary purpose, EMS with an employee focus

5: 1<sup>st</sup> = Most profitable, 4<sup>th</sup> = Least profitable

Source: Compiled by author

### **3.4.2.2 Net profit percentage (NP%)**

The NP% signifies the percentage of sales remaining after subtracting all costs that the company has incurred throughout the year (Kew and Watson, 2012). The formula for NP% is: net profit divided by sales multiplied by 100 (Kew and Watson, 2012). A positive NP% indicates that a company has made more money through income than it has incurred on its expenses. Therefore the higher the NP%, the more profitable a company is (Hamel, 2015). Unlike the GP% that could not indicate true profitability, NP% gives the whole picture as all costs have been subtracted to get to the final net profit. The NP% calculations are an improved indication of profitability.

Table 3.3 shows that all four companies have not deviated substantially from the mean during the period 2009 to 2018. Clicks has performed the best, increasing the NP% from 3.88% in 2009 to 5.05% in 2018 with a ten-year mean of 4.47% and the second-best performance was Shoprite, increasing NP% from 3.4% in 2009 to 3.59% in 2018 with a ten-year mean of 3.63%. Both Spar and Pick n Pay's NP% decreased over the ten-year period. Spar performed third-best, decreasing from a NP% of 2.33% in 2009 to 1.81% in 2018 and Pick n Pay was the lowest performer with their lowest NP% being in 2013 and 2014 at 0.93% and 0.92% and gradually recovering to 1.59% in 2018. Pick n Pay noted that the net profit had been impacted in the short term due to costs associated with their business transformation and this in turn has impacted on their profitability ratio results as net profit forms the bases for four of the five ratios (Pick n Pay, 2011; 2013).

### **3.4.2.3 Return on assets (ROA)**

The ROA ratio signifies how much profit is being generated given the level of assets used to assist in the profit generation. The formula for return on assets is: profit after tax divided by total assets (Kew and Watson, 2012). If assets are being used efficiently the ratio will be higher than for a company not using assets as efficiently (Kew and Watson, 2012). A higher ratio is more favourable and indicates higher profitability. The ratio is most useful in comparing companies across a single industry as it is expected that assets would be used in a similar manner to generate income (My Accounting Course, 2015a).

Table 3.3 shows that all companies showed a decrease in ROA when comparing 2009 to 2018, except for Clicks, whose ROA has increased by 1.45 percentage points and was the highest of the four companies from 2010 to 2018. Spar produced the lowest ROA and largest decline over the ten-year period moving from 11.39% in 2009 to 5.85% in 2018 with the initial decline

being experienced in 2014 after the acquisition of the Irish operations (Spar, 2014). Spar acquired Swiss operations in 2016 and has incurred high amounts of capital expenditure to grow operations in all three geographical locations resulting in an increasing asset base (Spar, 2018). Even with the largest percentage point decrease, Spar performed second highest in 2009, 2012 and 2013, third highest in 2010, 2011, 2014, 2015 and 2016 and lowest in the two final years, 2017 and 2018. Shoprite decreased by the next highest percentage points, a decrease of 3.63 but performed the best in 2009 and thereafter the second best, apart from 2012 and 2013 where the company produced the third best ROA. Pick n Pay showed the lowest performance from 2009 to 2016, improving to third-best in 2017 and 2018 with a decrease in ROA of 3.08 percentage points. Taking all ten years into account, Clicks showed the best performance, Shoprite next best followed by Spar and lastly Pick n Pay.

#### ***3.4.2.4 Return on equity (ROE)***

ROE signifies how well a shareholder's investment in equity has performed for the year by taking profits into account (Kew and Watson, 2012). It shows how much profit each rand of equity generates. The formula for ROE is: profit divided by total equity multiplied by 100 (Kew and Watson, 2012). A high ROE illustrates higher profitability and better performance as funds are being used effectively. Investors would also want to see a higher ROE (My Accounting Course, 2015b).

Table 3.3 shows that all companies have had significant fluctuations in their ROE when comparing year-on-year as evidenced by the higher standard deviations. From 2009 to 2018, all four companies experienced a decline in ROE with Pick n Pay declining by 29.61 percentage points, Shoprite by 21.17 percentage points, Spar by 12.71 percentage points and Clicks by 8.68 percentage points. Pick n Pay began the ten-year period with the highest ROE at 61.83% in 2009 and 55.44% in 2010, thereafter performed second best in 2012, 2017 and 2018, third best in 2011, 2015 and 2016 and had the worst performance of the four companies in 2013 and 2014. Spar produced the worst ROE of the four companies in 2009, but in 2010, 2012, 2017 and 2018 it produced the third best ROE and the second-best ROE for the other years. Shoprite mostly had the lowest performance apart from 2009, 2013 and 2014 where the results were third best. Clicks produced the second highest ROE for 2009 and 2010 and thereafter was the highest of the four companies. Holistically over the ten-year period, Clicks is evidently the strongest performer and Shoprite the weakest. Pick n Pay and Spar have performed relatively

along the same levels, however, with Pick n Pay having the highest returns in the first two years, they do show a slightly higher performance on aggregate.

#### ***3.4.2.5 Return on capital employed (ROCE)***

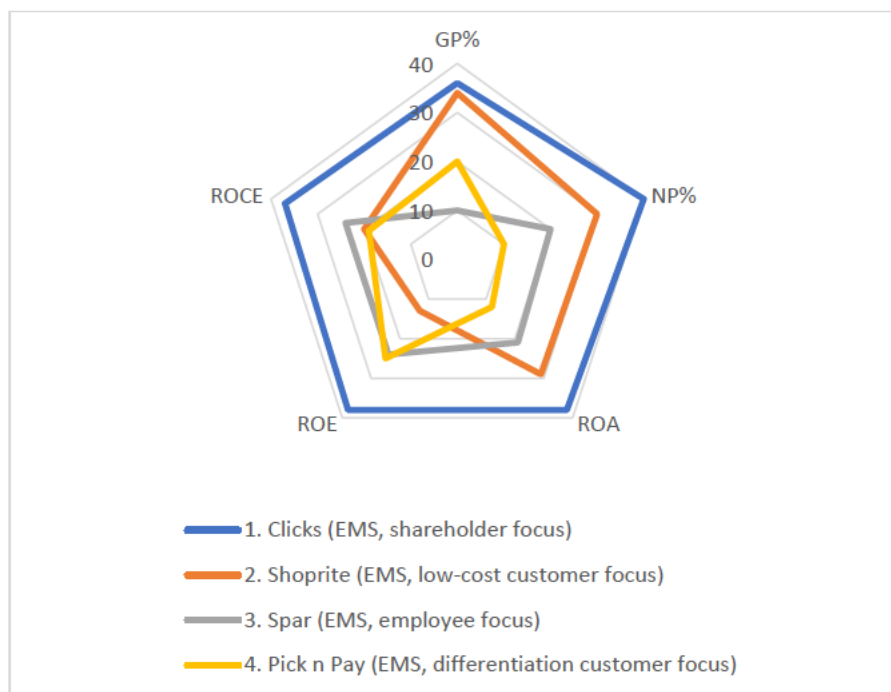
ROCE signifies how much profit is generated for each unit of capital employed. Capital employed is equal to the sum of total equity and long-term liabilities. The formula for ROCE is profit divided by capital employed (Service, 2022). The ratio is a useful indicator to assess performance for companies where gearing differs as it considers all long-term financing rather than just equity. The higher the ratio, the more favourable the performance of the company. Companies should ensure that the return is always higher than the cost of the borrowing of long-term finance (My Accounting Course, 2016).

ROCE has followed a similar trend to ROE in that all four companies showed a decrease from 2009 to 2018, Spar by 22.6 percentage points, Shoprite by 18.04 percentage points, Pick n Pay by 11.69 percentage points and Clicks by 2.49 percentage points. Likewise, the ROCE for all four companies presents with a high standard deviation and range, illustrating the fluctuations experienced over the ten-year period. In 2009 Clicks had the lowest performance, albeit between 1.73 and 2.08 percentage points difference to the other three companies. Subsequently Clicks' performance increased to become the best performer in ROCE from 2010 to 2018 achieving a ROCE over 20 percentage points higher than the next most profitable company in 2014 and 2015. Spar was consistently the second-best performer up until 2016 when their ROCE declined to the lowest of the four companies at 13.72%. This decrease occurred following the acquisition of the Swiss operations which resulted in an increasing level of long-term liabilities (Spar, 2016). Shoprite's ROCE decreased to 17.05% in 2012 when convertible bonds were issued (Shoprite, 2012), increased in 2016 when the bonds became current liabilities (Shoprite, 2016) and then decreased again in 2017 as several bonds were converted into equity shares (Shoprite, 2017). In 2009 Shoprite had the best performance, but subsequent to that was the second-best performer in 2016, the third best performer in 2011, 2013, 2014, 2017 and 2018 and lowest performer in 2010, 2012 and 2015. Pick n Pay had three years of being the worst performer, five years being the third best and in 2017 and 2018 showed the second-best performance. Considering all the above ROCE movements, Clicks performed the best, followed by Spar, Shoprite and Pick n Pay.

### 3.4.2.6 Overall profitability ranking

The overall profitability ranking considers all five profitability ratios and their ranking over the period 2009 to 2018. A summary of each company's primary purpose, profitability ratios and ranking of profitability is shown in Table 3.4.

The content of Table 3.4 has been converted into a more user-friendly visual diagram to succinctly present the primary purpose, profitability and ranking of profitability of the companies within the food and drug retail sector. Figure 3.1 illustrates the five profitability ratios in terms of their ranking, with the company ranked highest being awarded a four (as there are four companies in the test analysis) and the company ranked lowest a one for each profitability ratio. Collectively, the spider diagram in Figure 3.1 and Table 3.4 brings together thousands of pages of annual financial statements and annual integrated reports to illustrate a concise overview of the profitability and primary purpose of the companies within the food and drug retail sector. The larger the area of the pentagon for each company, the more profitable the company. The profitability has also been ranked in the legend to ensure a user can easily see the profitability ranking. This innovative technique of converting the analyses into a single diagram is referred to as the purpose-profitability pentagon analysis.



Source: Compiled by author

**Figure 3.1: Purpose-profitability pentagon analysis**

From the purpose-profitability pentagon analysis Clicks, displaying the largest area in Figure 3.1, has performed the best in all ratios analysed. Shoprite displayed the second largest area performing second best for the GP%, NP% and ROA with the lowest performance in ROE and a marginally better performance in ROCE than Pick n Pay. Spar displays the next largest area having produced the lowest GP% but second lowest NP%, ROA and ROE and second-best ROCE. Pick n Pay shows the smallest area in the pentagon with the lowest NP%, ROA and ROCE, the second lowest GP% and second-best ROE.

### **3.5 CONCLUSIONS**

This paper sought to create an analysis technique whereby profitability and purpose were displayed to stakeholders concurrently to inform their decision-making processes as no identified research combines these elements in such a summarised manner. JSE-listed companies within the food and drug retail sector were used to test and illustrate the analysis technique developed.

The primary purpose of each company was sourced from a study conducted by Gregory and Chasomeris (2016) and expanded to a ten-year analysis. Content analysis results over the period 2009 to 2018 showed that, although all four companies appeared to be following the EMS model, Clicks had a focus on shareholders, Shoprite on customers through a low-cost strategy, Spar on employees and Pick n Pay on customers through a differentiation strategy. The current study then built onto these results through an analysis and ranking of five profitability ratios. The output resulted in a table and spider diagram presenting purpose and profitability in a single setting (see Table 3.4 and Figure 3.1). The technique was named the purpose-profitability pentagon analysis.

The purpose-profitability pentagon analysis visually illustrated, in relation to the food and drug retail sector, each company's purpose and their profitability ranking. The larger the area covered by the company in the diagram, the greater their profitability. The diagram also listed the companies in rank order in the legend so that when two companies had close results, the overall ranking was clear to the user. By applying the analysis technique in this study, it was identified that Clicks' approach of EMS through a main focus on shareholders has been observed as having provided the most profitable scenario. Shoprite, that also applies EMS but with a main focus on customers through their low-cost strategy, is the next profitable and Spar,

EMS with an employee focus, third. Pick n Pay was observed with lowest profitability and apply EMS but with a customer focussed differentiation strategy.

It is recommended that other sectors could be analysed using the same technique to aid users of financial statements to be able to readily ascertain which entity has a greater profitability within the sector. Such analyses could be used by analysts to help with investment decision making when considering any company's performance relative to any other company's (whether competitors or not). Using computer programming, it will be possible to commercialise the purpose-profitability pentagon technique. For example, investment information websites such as Moneyweb could allow a user to select several companies over a selected period and then a purpose-profitability pentagon presentation could be automatically drawn for the user. In all instances, the purpose-profitability pentagon is expected to assist users through a single diagram to inform investment decisions based on profitability.

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## CHAPTER 4

# INTEGRATED REPORT CONTENT EVOLUTION: A CASE STUDY OF THE JSE FOOD AND DRUG RETAIL SECTOR <sup>3</sup>

### ABSTRACT

**Background:** Since the release of the King III report in 2009, and the adoption of these principles in the JSE listing requirements, there has been a surge in integrated reporting guidelines, including the release of the IIRC framework and GRI sustainability reporting standards, with an updated code for corporate governance, King IV, subsequently being published. These introductions have simulated a growth in research on integrated reporting; however, the impact of these initiatives on the annual integrated report (AIR) composition or format has not been explored.

**Aim:** The objective of this article is to examine, compare and contrast identified trends in the composition of published AIRs following the release of the aforementioned guidelines.

**Setting:** JSE-listed companies in the food and drug retail sector were analysed from 2009 to 2018.

**Methods:** The study applied both qualitative and quantitative content analysis techniques to analyse the composition of AIRs.

**Results:** The composition of AIRs of companies within the given sector and timespan has shifted, shown through a decrease in the number of pages containing annual financial statements and an increase in governance, strategy and sustainability information. Annual integrated reports have moved to explaining financial results with reference to full financial statements published online with the other identified shifts coinciding closely with the release of integrated reporting developments. These results suggest that there has been an uptake in application of new reporting initiatives.

**Conclusion:** A comprehensive foundational study has been created that has illustrated that AIRs have developed in relation to new reporting initiatives.

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## 4.1 INTRODUCTION

Annual integrated reports (AIRs) are an essential tool for investors and other stakeholders to obtain social, environmental and governance information, together with financial information for their decision-making. The King III report was released in 2009. While this report was a code of governance, it encouraged the publication of AIRs and subsequently the Johannesburg Securities Exchange (JSE) made it obligatory to follow the King III principles for all those listed thereon for financial years commencing on, or after, 01 March 2010. As a result, whilst integrated reporting was not mandatory, it had to be employed on an “apply or explain” basis (JSE, 2017); and numerous JSE companies began producing these reports (SAICA, 2010).

When the JSE made the above change, the only guidelines available on integrated reporting were King III and Global Reporting Initiative (GRI) 3.1. Subsequently, more attention has been devoted to integrated reporting guidelines. The International Integrated Reporting Council (IIRC) was established and then issued an integrated reporting framework in December 2013 and, with effect from June 2021, has merged with the Sustainability Accounting Standards Board (Bouvier, 2021). The GRI has developed GRI 3.1 into a full set of sustainability reporting standards (published in October 2016) followed by King III having been updated to King IV (released on 01 November 2016).

As South Africa was then the first and only country to enforce integrated reporting on the “apply or explain” basis (Appiagyei et al., 2018; Eccles, Krzus and Solano, 2019; Hoang et. al, 2020), it was referred to as the pioneering country in that respect, (de Villiers, Rinaldi and Unerman, 2014; Dumay et al., 2016) and has remained the current world leader in integrated reporting practices (du Toit, 2017). Studies such as that of du Toit (2017), Dumay et al. (2016), Haji and Anifowose (2016), Rinaldi, Unerman and de Villiers (2018) as well as Scholtz, Mans-Kemp and Smit (2018) have found that integrated reporting is a trending topic and research in this sphere has been growing, but the impacts and value of all the new reporting initiatives have not been fully explored. The majority of the existing research utilises specific disclosure checklists, rather than evaluating the overall composition of the AIR, was performed within a relatively short time frame and focuses on companies from sectors other than the JSE food and drug retail sector. The objectives of this article are two-fold, contributing to research on the impact of integrated reporting initiatives on the overall composition of AIRs:

1. To examine and identify trends in the composition of AIRs of companies listed in the JSE food and drug retail sector following the release of King III and other guidelines on integrated reporting; and
2. To compare and contrast identified trends in the composition of AIRs between each of the companies listed in the JSE food and drug retail sector following the release of King III and other guidelines on integrated reporting.

The study does have one key limitation, being that the assessment has been limited to JSE companies listed in the food and drug retail sector. As such, the findings are not representative of the entire JSE and not generally applicable to other sectors. However, other sectors could be analysed in a similar manner and those findings contrasted to the findings of this study to expand the research base.

The article is structured as follows: the next section contains a literature review on integrated reporting and the numerous integrated reporting initiatives introduced following the publication of the King III report. This is followed by an explanation of the research methodology, data collection and the results, findings and conclusions from the analyses. Thereafter recommendations are provided.

## **4.2 LITERATURE REVIEW**

Annual integrated reports are useful tools through which companies communicate past and current performance, future prospects, legitimise management actions and influence perceptions (du Toit, 2017). Such reports have been relied upon, not just for decision-making by investors, but to hold management accountable for their actions, for the monitoring of performance and the discouragement of inappropriate management behaviour and, consequently, posed a significant influence on stakeholders (Dube, 2017). Despite their usefulness, researchers have criticised AIRs for their financial focus, clutter, complexity (Dube, 2017; Lee and Yeo, 2016) and reflection on historical performance rather than exhibiting a consolidated representation of the company with forward-looking information (Beattie, McInnes and Fearnley, 2004; Beck, Dumay and Frost, 2017; Bernardi and Stark, 2018) and the disclosure of non-financial information in a self-interested manner (Adams et al., 2016). For these reasons, the reporting regime has been developed and the volume of reporting of non-financial information has increased (Dube, 2017). The King series of reports, GRI guidelines and the IIRC framework are examples of initiatives that have been

developed following investor demands. Each of these changes and their impact on AIRs are explored in more detail below.

#### **4.2.1 King codes**

In 1994, King I was released (de Villiers, Hsiao and Maroun, 2017a; Dumay et al., 2016). This first King code of Corporate Governance Principles introduced the incorporation of all stakeholders and largely focussed on governance, particularly the desired conduct of the board of directors (Dube, 2017). King II followed in 2002 with the suggestion of incorporating sustainability (environmental, social and corporate governance performance) and risk management in reporting (de Villiers et al., 2017a; Dumay et al., 2016; Scholtz et al., 2018), resulting in a number of entities including this in their AIR and others publishing separate sustainability reports with their AIR. Several years later, in 2009, King III was published to encourage an increase in accountability of companies to their various stakeholders (Ackers and Eccles, 2015). It was accepted that existing guidelines were inadequate and disclosure modifications were necessary (de Villiers et al., 2014). The code proposed the publishing of an AIR that would holistically represent performance on both financial and non-financial matters (de Villiers et al., 2017a; Dumay et al., 2016), but this would be done on an “apply or explain” basis (companies decide to either apply the principle or explain to the users why it had not been applied [Giles, 2017; Institute of Directors, 2009]). The JSE subsequently mandated King III application for financial years commencing on, or after, 01 March 2010 and, consequently, South Africa became the first and only country to embrace integrated reporting principles on the “apply or explain” basis (Appiagyei et al., 2018; Bernardi and Stark, 2018; de Villiers et al., 2017a; Dube, 2017; Eccles et al., 2019; Giles, 2017; Hoang et al., 2020; JSE, 2017). Certain principles became mandatory through the introduction of the new Companies Act, for example, establishing a social and ethics committee to comply with section 72(4). King IV is the latest development in the King code series. Published on 01 November 2016, it has changed from the “apply or explain” basis to an “apply and explain” basis with recommended practices on how to apply principles. The code refers to the IIRC framework with part 5.2 including recommended reporting practices, one being that an integrated report should be issued at least annually (Institute of Directors, 2016). The JSE has mandated the application of King IV as part of their listing requirements effective for financial years commencing from 01 April 2017 (Giles, 2017).

#### **4.2.2 Global reporting initiative**

The Global Reporting Initiative was established in the 1990s to investigate sustainability issues and how progress and goals could be disclosed to stakeholders, consequently creating the first reporting framework in 2000, and periodically updating this, to arrive at the first global standards for sustainability reporting in October 2016 (GRI, 2016; Scholtz et al., 2018). The GRI guidelines have a stakeholder focus similar to King III and IV (de Villiers et al., 2014), encouraging full presentation of both positive and negative aspects (GRI, 2016). A number of countries, South Africa included, have companies that include sustainability reporting in their AIRs so that all information is holistically presented (Appiagyei, Djajadikerta and Xiang, 2016; Hunter, 2014), but due to the level of detail the GRI requirements specify, it was found that it can be problematic for readers to link the multitude of required information (de Villiers et al., 2014).

#### **4.2.3 International integrated reporting council framework**

The increase in integrated reporting sentiments created a need for integrated reporting guidelines to be devised and, as such, the IIRC was formed in 2010 (PWC, 2013) and it published an integrated reporting framework in December 2013 (Dumay et al., 2016). The principles-based framework (dissimilar to the rules-based GRI guidelines) (Dube, 2017; Dumay et al., 2016; Lee and Yeo, 2016) has more of a shareholder focus (providers of financial capital) with emphasis on strategy and information on future company plans for value creation, integrated into a single report, rather than standalone reports (de Villiers et al., 2014; de Villiers et al., 2017a; Dumay et al., 2016; PWC, 2014). The framework defines an AIR as...

... “a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term” (IIRC, 2013:7).

Ultimately this illustrates that the aim of an AIR is to provide holistic information that shows a clear interrelation between financial and non-financial material (Dube, 2017), leading to a broader and more cohesive presentation of a company’s performance, than the traditional financial and sustainability reporting and communicating of a full range of material factors that contribute towards a company’s value creation (de Villiers et al., 2014). Through the introduction of the eight integrated reporting content elements within the IIRC framework

(IIRC, 2013; Scholtz et al., 2018), AIRs have encompassed explanations on internal and external environments, forms of capital employed to create value, descriptions on how interactions with capitals and environments create value (Rinaldi et al., 2018) as well as social investment activities and how these link to strategy and value creation (Adams et al., 2016).

#### **4.2.4 Impact of guidelines on annual integrated reports**

Having entered the integrated revolution stage (Dragu and Tiron-Tudor, 2013), the introduction of the aforementioned guidelines has had an impact on AIRs with a surge of interest in research following the King III release. Of the several studies within this sphere, content analysis was noted as the dominant research method. Numerous researchers used checklists to comment on the quality of the report and the compliance, with specific integrated reporting guidelines, rather than looking at the overall picture of the AIR and many cover only a short time period; however, the majority conclude that there has been a positive impact on integrated reporting. These studies are summarised in Table 4.1.

Despite the apparent positive impact, concerns have still been raised that an AIR cannot provide all the necessary information needed by non-financial stakeholders, are lengthy, circumlocutory, incomparable (de Villiers et al., 2017a; de Villiers, Venter and Hsiao, 2017b), complex and hard to understand (du Toit, 2017). There was a noticeable bias towards writing positive information to disguise negative information and make it less noticeable to readers through the use of the passive voice and making the narrative shorter and more complex (du Toit, 2017). Other findings have shown that companies are reducing clutter in their AIRs by summarising information and making full details available on other platforms such as their corporate websites (du Toit, van Zyl and Schütte, 2017; Nel, 2019; PWC, 2014).

The consulted literature has revealed that there have been many developments in the integrated reporting realm in South Africa, and despite this constant update in information, there is still an arena for growth on the topic and room to improve.

**Table 4.1: Summary of studies on the impact of integrated reporting guidelines in South Africa**

<b>Source</b>	<b>Period</b>	<b>Method</b>	<b>Results</b>
Solomon and Maroun (2012)	2009 – 2011	Content analysis of ten companies	An increase in integrated information with noted repetition and generic disclosures following more of a box-ticking exercise rather than true discretion
Kosovic and Patel (2013)	2009 – 2011	Self-constructed disclosure index based on GRI guidelines	The level of compliance in disclosures has increased
Makiwane and Padia (2013)	2009 – 2011	111 indicators based on King III and GRI guidelines used to compare 2009 to 2010/2011	Some progress has been made towards improving integrated reporting
Hunter (2014)	2010 – 2012	GRI guidelines, JSE SRI criteria and South African Standards for responsible tourism used as a checklist on three tourism companies	Increased focus on triple bottom line reporting
Clayton, Rogerson and Rampedi (2015)	2008 – 2013	Qualitative and quantitative content analysis of eight companies	The structure of reports changed to become more integrated with increasing report lengths from 2008 to 2011 and decreasing in 2012 and 2013
Setia et al. (2015)	2009 – 2012	Content analysis using a disclosure checklist based on four of the six capitals mentioned in the IIRC framework	Increase in extent of disclosure (2009/2010 compared to 2011/2012)

**Table 4.1 continued: Summary of studies on the impact of integrated reporting guidelines in South Africa**

Haji and Anifowose (2016)	2011 – 2013	Self-constructed integrated reporting checklist based on the IIRC framework	Increase in the extent and quality of integrated reports; however, presentation has become ceremonial rather than substantive
Lee and Yeo (2016)	2010 – 2013	Integrated checklist used to arrive at an integrated reporting score for use in regression analysis	No conclusion on the integrated reporting score; however, it was used to draw conclusions on the association between integrated reporting and firm valuation showing that companies with high integrated reporting scores outperformed those with lower scores
Dube (2017)	2012 – 2017	Self-constructed checklist based on the IIRC framework	The quality of integrated reports has increased since integrated reporting was mandated through the JSE listing requirements
du Toit et al. (2017)	2012 – 2014	Same as Solomon and Maroun (2012), but only on four companies	Decrease in amount of information provided in the integrated reports
Scholtz et al. (2018)	2011, 2013 and 2015	Disclosure checklist based on the IIRC framework applied to the banking industry	There were positive developments pertaining to the application of integrated reporting principles
Chaka (2018)	2010 vs 2015	Score-card of environmental, social, economic and governance indicators to compare JSE SRI and Fortune Global 100 companies	Better reporting practices in all dimensions of sustainability for South African companies

**Table 4.1 continued: Summary of studies on the impact of integrated reporting guidelines in South Africa**

Appiagyei et al. (2018)	2011 – 2016	Weighted score from 0 to 3 assigned to content elements for 69 JSE companies	Significant improvements in integrated reports from 2011 to 2012 and thereafter only minimal improvement
Eccles et al. (2019)	2018	Integrated reporting checklist based on the IIRC framework used on companies from ten different countries (five companies being from South Africa)	Integrated reports published in South Africa were generally well done but the quality of such reports had not significantly improved since a similar study in 2015
Marrone and Oliva (2020)	2017	Scorecard using the IIRC framework as a basis	South African companies publish integrated reports that align highly with the IIRC framework

GRI, Global reporting initiative; JSE, Johannesburg securities exchange; IIRC, International integrated reporting council.

Source: Compiled by author

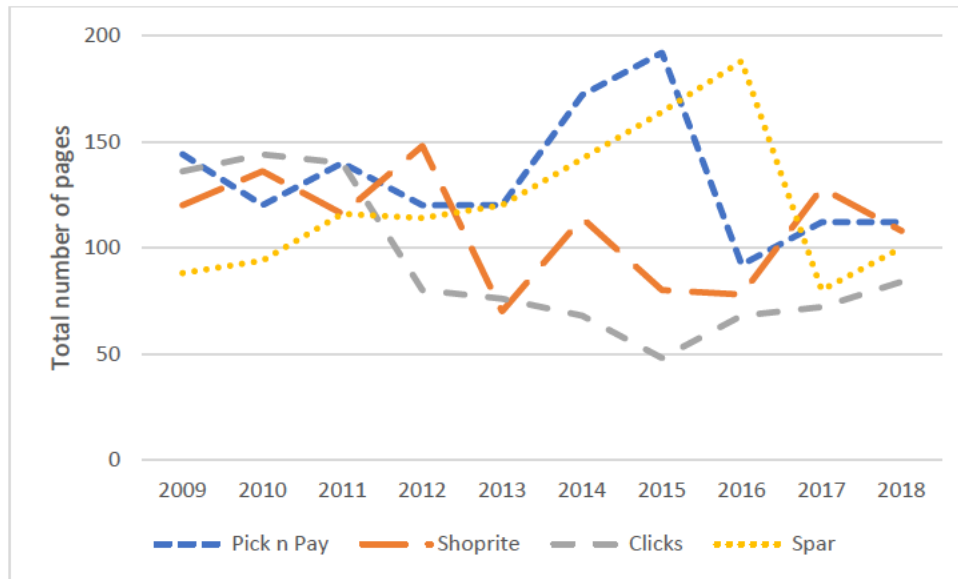
### 4.3 RESEARCH METHODOLOGY

The study followed a longitudinal design aimed at analysing and comparing the composition of AIRs over time and applied both a qualitative and quantitative approach, using content analysis. Qualitative content analysis entails the derivation of themes or categories to analyse data and has often been utilised in the analysis of AIRs to quantify disclosures (Beattie, 2005; de Villiers, Dumay and Maroun, 2019). In this study qualitative content analysis was used to arrive at the seven key areas presented in the AIRs (refer Table 4.2) and to explore the key differences in disclosures over time. Content analysis can also be quantitative in nature and, used in conjunction with qualitative content analysis, maximises the research methodology (Merkl-Davies, Brennan and Vourvachis, 2011). This study utilised quantitative content analysis to quantify disclosure and descriptive statistics to analyse these quantifications. Disclosures can be quantified using the number of words, sentences or pages in an AIR (Galant and Cadez, 2017; Unerman, 2000). Fewer errors could arise in counting sentences, rather than words, due to the magnitude of information to be analysed (Milne and Adler, 1999; Unerman, 2000); however, Hackston and Milne (1996) did demonstrate that these methods give similar results. A strong argument in favour of quantifying disclosures in relation to pages rather than words, or sentences, is that non-narrative disclosures (such as photographs, tables, charts and diagrams) are ignored (Unerman, 2000). Non-narrative disclosures are considered to be a powerful and effective means of communication in AIRs (Davison, 2007; Penrose, 2008) and, therefore, it was decided to utilise number of pages to conduct the content analysis, so that all forms of disclosures are included. Other studies that have utilised number of pages include Clayton et al. (2015), Cowen, Ferreri and Parker (1987), Gray, Kouhy and Lavers (1995), O'Dwyer (2003) as well as Unerman (2000).

The period chosen for analysis, 2009 - 2018, is significant as the King III report was issued in 2009 encouraging the publication of AIRs followed by the IIRC framework and GRI reporting standards. King III was then updated to King IV within the period. Although King III was only mandated for JSE-listed companies with financial years commencing on, or after, 01 March 2010, the incorporation of 2009 and 2010 financial year ends would enable the results to encompass any early adoption as well as the before- and after-effects of mandating King III. Similarly, any early adoption of King IV could be reflected in the 2017 (all companies in the sector) and 2018 (only Pick n Pay) financial year ends, as the report was released in November 2016, but only mandated by the JSE listing requirements for financial years commencing on or after 01 April 2017.

As there are a vast number of companies listed on the JSE in South Africa in which integrated reporting is uniquely applied on an “apply or explain” basis, the study was limited to a particular sector on the JSE, namely, the food and drug retail sector. The sector has been mostly unexplored in the literature and all the companies within it are essential services and would be well-known and familiar to the majority of the South African population. Understanding the population may facilitate this comprehensive foundational study to be better understood as when individuals are presented with alternatives; they would usually prefer the option they are most familiar with (de Vries, Erasmus and Gerber, 2017; Fox and Levav, 2000; Fox and Tversky, 1995), thus providing a platform for replication to other sectors. There were eight companies listed within the sector in December 2018 (Moneyweb, 2018), but Choppies, listed in 2015, and BidCorp, Dis-Chem and Gold Brand, listed in 2016, were consequently excluded from the research sample, due to not being listed for the entire research period (2009 - 2018); hence four companies formed part of the study, namely: Pick n Pay, Shoprite, Spar and Clicks.

Annual integrated reports published between 2009 and 2018 were sourced from the websites of each company within the research population. An examination of how the total number of pages of the AIR had changed over the analysis period was performed (refer to Figure 4.1), revealing that the number of pages of each company in the report tended to increase initially, peak at one point in time, and thereafter to decrease substantially. Clicks was the first to show this trend, with their peak being in 2011, followed by Shoprite in 2012, Pick n Pay in 2015 and Spar in 2016. As per the literature, it was suspected that this shift could have resulted from summarising information (PWC, 2014), shifting information online to corporate websites (Nel, 2019), less duplication of information and/or a decrease in the amount of integrated reporting (du Toit et al., 2017). A limitation to shifting reported items online is that historical information might not be accessible or easily located (Nel, 2016). Further analysis into the contents of each report was necessary to draw relevant conclusions.



Source: Compiled by author

**Figure 4.1: Number of pages in annual integrated reports from 2009 to 2018**

The contents of all the reports were investigated further for each company and each year to examine the trends in the presented information. The investigation revealed seven key areas that had been presented throughout the AIRs over the analysis period. The seven key areas are: annual results (in full or as a summary) (AFS), reports from key board members (Rep), contents pages and pictures to facilitate the appearance and readability of the report (Cont), explanation of financial information (Fin), governance information (Gov), shareholder information (Sh) and information on strategy and sustainability considerations (Strat/Sus). Detail of the types of material that was classified into each of the seven key areas can be found in Table 4.2.

This analysis assisted to arrive at inferences about how the structures of these AIRs changed over the period following the introduction of the numerous reporting initiatives outlined in the literature.

**Table 4.2: Seven key areas in annual integrated reports**

Area	Content
AFS	Directors' responsibility statements and approval of annual financial statements, companies' secretary certificates, independent auditor's reports, directors' reports, income statements / statements of comprehensive income, balance sheets / statements of financial position, statements of changes in equity, cash flow statements, accounting policies and notes pertaining to the annual financial statements.
Rep	Chairmen's reports, chief executive officers' reports and chief operating officers' reports.
Cont	Information about the integrated report, once-off publications such as "A tribute to Raymond Ackerman" in the 2010 Pick n Pay report, contents pages, cover pages and pages that only contained images.
Fin	Value-added statements, financial / performance highlights, key indicators, chief financial officer's reports, financial reviews (over ten, five, six or three years), ratios and statistics (unique to Spar) and pro-forma financial information (unique to Shoprite in 2017 and 2018).
Gov	Breakdown of boards of directors, divisional directors and corporate governance reports including committee reports.
Sh	Investment case, analysis of shareholders, shareholders' information, administration information, notice of annual general meeting, form of proxy and information on their new memorandums of incorporation.
Strat/Sus	How value was created, information about their business model, group information such as number of stores, group profile, group mission and key values, information on stakeholders and stakeholder engagement, sustainability reports and other sustainability information, operational reviews, strategy updates and identification and explanations of material issues, risks and opportunities.

AFS, annual financial statements; Rep, reports; Cont, contents; Fin, explanation of financial information; Gov, governance information; Sh, shareholder information; Strat/Sus, information on strategy and sustainability considerations.

Source: Compiled by author

#### 4.4 RESULTS

Companies' AIRs were sourced and analysed between 2009 and 2018. The analysis entailed scrutiny of each company's AIRs, according to the number of pages presented in the report, relative to the seven key areas outlined in the research methodology. The results have been tabulated, graphed and explained subsequently. Table 4.3 and Figure 4.2 summarise the composition of 10 years of AIRs for each company into the seven key areas identified. Table 4.3 indicates the number of pages per section (P) and the percentage of the total report for the year (%) and Figure 4.2 shows a graphical breakdown of the percentage of the total AIR per area to easily identify trends. In Table 4.4 the number of pages from Table 4.3 is analysed using descriptive statistics.

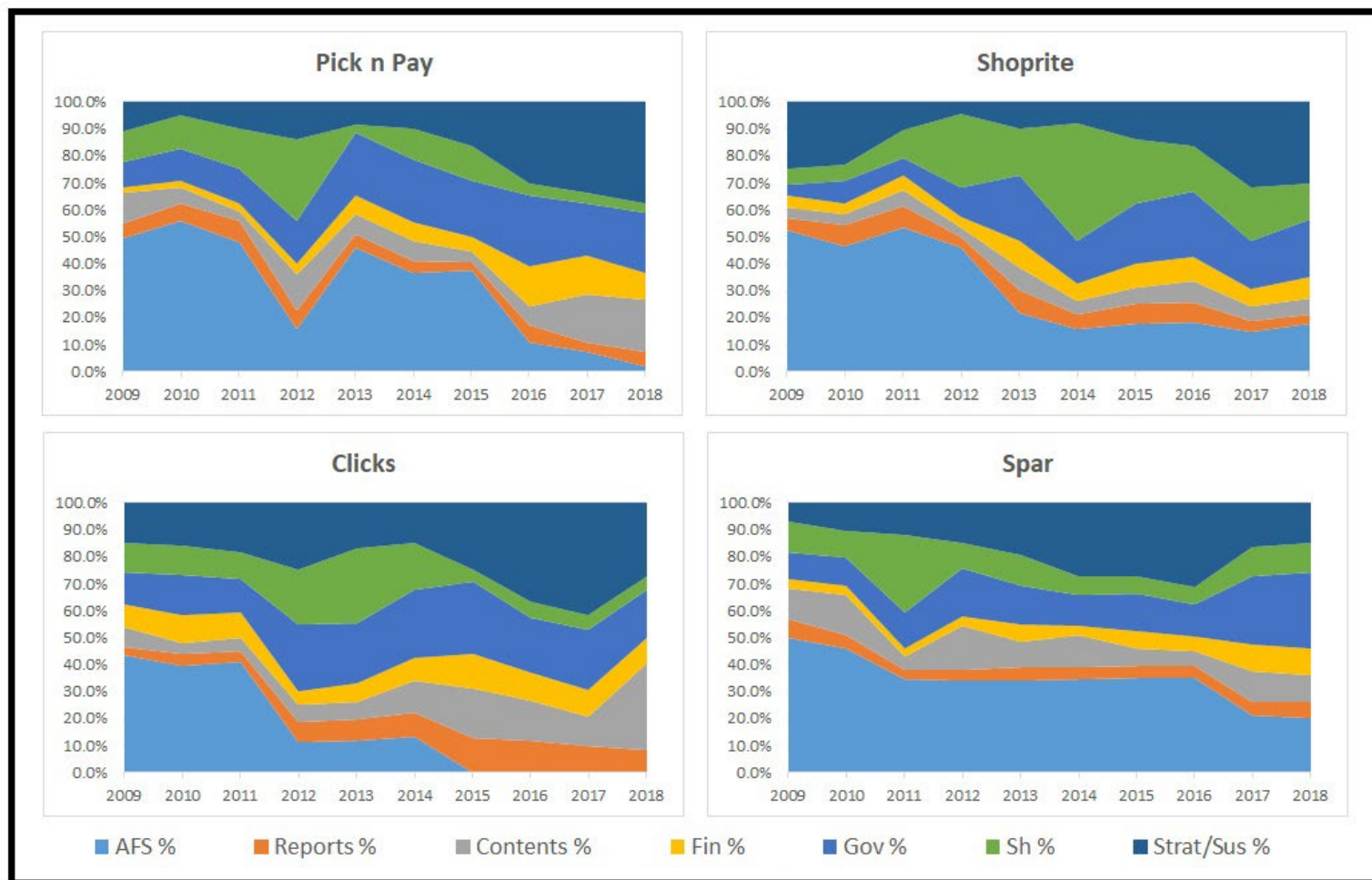
Table 4.3 and Figure 4.2 show that there has been an evidential shift in the quantity of information supplied in each section for all four companies between 2009 and 2018. All companies showed a downward trend in the financial statement section and an upward trend in the governance and strategy and sustainability sections, but Spar's strategy and sustainability information did decrease in 2017 and 2018. Shareholder information declined in Pick n Pay and Clicks, and financial explanations increased marginally for three of the four companies, the exception being Clicks. All other sections were consistent other than a large increase in contents and pictures for Clicks in 2018. Each section has been scrutinised further below.

**Table 4.3: Annual integrated report composition: Pick n Pay, Shoprite, Spar and Clicks**

Financial year	<u>AFS</u>		<u>Rep</u>		<u>Cont</u>		<u>Fin</u>		<u>Gov</u>		<u>Sh</u>		<u>Strat/Sus</u>		<u>Total</u> P
	P	%	P	%	P	%	P	%	P	%	P	%	P	%	
<b><u>Pick n Pay</u></b>															
2009	71	49	8	6	16	11	3	2	14	10	16	11	16	11	144
2010	67	56	8	7	7	6	3	3	14	12	15	13	6	5	120
2011	67	48	11	8	5	4	4	3	18	13	21	15	14	10	140
2012	19	16	8	7	16	13	5	4	19	16	36	30	17	14	120
2013	55	46	6	5	9	8	8	7	28	23	4	3	10	8	120
2014	63	37	7	4	13	8	12	7	40	23	20	12	17	10	172
2015	72	38	6	3	7	4	11	6	40	21	24	13	32	17	192
2016	10	11	6	7	6	7	14	15	24	26	4	4	28	30	92
2017	8	7	4	4	20	18	16	14	22	20	4	4	38	34	112
2018	2	2	6	5	22	20	11	10	25	22	4	4	42	38	112
<b><u>Shoprite</u></b>															
2009	63	53	5	4	5	4	5	4	5	4	7	6	30	25	120
2010	63	46	11	8	5	4	6	4	11	8	8	6	32	24	136
2011	62	53	9	8	7	6	6	5	8	7	12	10	12	10	116
2012	68	46	6	4	5	3	6	4	16	11	40	27	7	5	148
2013	15	21	6	9	6	9	7	10	17	24	12	17	7	10	70
2014	18	16	6	5	6	5	7	6	18	16	50	44	9	8	114
2015	14	18	6	8	5	6	7	9	18	23	19	24	11	14	80
2016	14	18	6	8	6	8	7	9	19	24	13	17	13	17	78
2017	19	15	5	4	7	5	8	6	23	18	25	20	41	32	128
2018	19	18	4	4	6	6	9	8	23	21	14	13	33	31	108
<b><u>Clicks</u></b>															
2009	59	43	4	3	10	7	12	9	16	12	15	11	20	15	136
2010	57	40	6	4	6	4	15	10	21	15	16	11	23	16	144
2011	57	41	6	4	7	5	13	9	17	12	14	10	26	19	140
2012	9	11	6	8	5	6	4	5	20	25	16	20	20	25	80
2013	9	12	6	8	5	7	5	7	17	22	21	28	13	17	76
2014	9	13	6	9	8	12	6	9	17	25	12	18	10	15	68
2015	0	0	6	13	9	19	6	13	13	27	2	4	12	25	48
2016	0	0	8	12	10	15	7	10	14	21	4	6	25	37	68
2017	0	0	7	10	8	11	7	10	16	22	4	6	30	42	72
2018	0	0	7	8	27	32	8	10	15	18	4	5	23	27	84
<b><u>Spar</u></b>															
2009	44	50	6	7	10	11	3	3	9	10	10	11	6	7	88
2010	43	46	5	5	14	15	3	3	10	11	9	10	10	11	94
2011	40	34	4	3	6	5	3	3	16	14	33	28	14	12	116
2012	39	34	4	4	19	17	4	4	20	18	11	10	17	15	114
2013	41	34	6	5	11	9	8	7	17	14	14	12	23	19	120
2014	49	35	6	4	17	12	5	4	16	11	10	7	39	27	142
2015	57	35	8	5	10	6	11	7	23	14	10	6	45	27	164
2016	66	35	8	4	10	5	11	6	22	12	12	6	59	31	188
2017	17	21	4	5	9	11	8	10	20	25	9	11	13	16	80
2018	20	20	6	6	10	10	10	10	28	28	11	11	15	15	100

AFS, annual financial statements; Rep, reports; Cont, contents; Fin, explanation of financial information; Gov, governance information; Sh, shareholder information; Strat/Sus, information on strategy and sustainability considerations; P, pages per section.

Source: Compiled by author



Source: Compiled by author

**Figure 4.2: Graphical depiction of the composition of annual integrated reports (percentage of total pages): Pick n Pay, Shoprite, Spar and Clicks**

**Table 4.4: Descriptive statistical analyses of page numbers: Pick n Pay, Shoprite, Spar and Clicks**

Statistic	<u>AFS</u>				<u>Rep</u>				<u>Cont</u>				<u>Fin</u>			
	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR
N	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Mean	43.40	35.50	20.00	41.60	7.00	6.40	6.20	5.70	12.10	5.80	9.50	11.60	8.70	6.80	8.30	6.60
Standard deviation	29.609	24.645	26.293	14.819	1.886	2.066	1.033	1.494	6.154	0.789	6.416	3.921	4.762	1.135	3.713	3.373
Range	70	54	59	49	7	7	4	4	17	2	22	13	13	4	11	8
Minimum	2	14	0	17	4	4	4	4	5	5	5	6	3	5	4	3
Maximum	72	68	59	66	11	11	8	8	22	7	27	19	16	9	15	11
Statistic	<u>Gov</u>				<u>Sh</u>				<u>Strat/Sus</u>				<u>Total</u>			
	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR	PNP	SHP	CLI	SPAR
N	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Mean	24.40	15.80	16.60	18.10	14.80	20.00	10.80	12.90	22.00	19.50	20.20	24.10	132.40	109.80	91.60	120.60
Standard deviation	9.383	6.015	2.459	5.801	10.891	14.345	6.697	7.218	12.211	12.929	6.596	17.521	30.255	26.084	34.792	34.629
Range	26	18	8	19	32	43	19	24	36	34	20	53	100	78	96	108
Minimum	14	5	13	9	4	7	2	9	6	7	10	6	92	70	48	80
Maximum	40	23	21	28	36	50	21	33	42	41	30	59	192	148	144	188

AFS, annual financial statements; Rep, reports; Cont, contents; Fin, explanation of financial information; Gov, governance information;

Sh, shareholder information; Strat/Sus, information on strategy and sustainability considerations; PNP Pick n Pay; SHP Shoprite; CLI, Clicks.

Source: Compiled by author

#### **4.4.1 Annual financial statements**

Annual financial statements initially comprised the largest proportion of the AIRs (around half the AIR content in 2009, the lowest being Clicks at 43%) for all four companies. This proportion declined substantially in each company with the annual financial statement section showing the greatest variability evidenced by the largest standard deviations and the largest page range over the analysis period (refer Table 4.4). Figure 4.2 highlights the substantial decrease in annual financial statement content in the AIR for Pick n Pay in 2012 and 2016 onwards; Shoprite in 2013 onwards; Spar in 2017 onwards; and Clicks in 2012 and 2015 onwards. In these years, extracts from the annual financial statements were presented in the AIR rather than a full set of financial statements with selected notes to the financial statements being disclosed rather than the full notes. Further investigation revealed that the full set of financial statements for each company in those years was located in a separate document in the investor relations section of the respective company's website in line with findings from Nel (2019). In 2018 Pick n Pay only presented two pages: one showing the statement of comprehensive income and the other the statement of financial position. In 2015, Clicks took the unique approach of only presenting their annual financial statements in a stand-alone document and not in their AIR, but still referred to such statements in their financial explanation sections with their AIR.

#### **4.4.2 Reports**

The number of pages occupied by reports ranged from 4 to 11 and, with the exception of Clicks, was consistently below 10% of the AIR each year. The consistency within the reports section is further supported in Table 4.4, reflecting the lowest standard deviation with a range of 4 (Spar and Clicks) and 7 pages (Pick n Pay and Shoprite) respectively. Each company presented a separate chairman's report and chief executive officer's report, except Spar that combined their chairman and chief executive officer's reports into one, with the exception of years 2014, 2015 and 2016. There was no evidence into the reasoning for this combination, but it could have been done in an attempt to further summarise and de-clutter the AIR, as information could be repeated if separate reports were produced, but the choice does not appear to have had a material effect on the composition of the AIR. Shoprite showed an increase in page numbers in 2010 from 5 to 11 pages in which a 4-page chief operating officer's report was also published.

#### **4.4.3 Contents and pictures**

Shoprite was the most consistent in their presentation of contents and pictures indicated by a standard deviation of only 0.789 in Table 4.4. It was observed that the number of pages in this section ranged from 5 to 7 and was below 10% of the AIR. The other three companies experienced more fluctuations in the contents and pictures section evidenced by higher ranges and standard deviations (see Table 4.4). The increase in page numbers mostly occurred as a result of more full-page images being presented in those years. Had different bases (such as the number of words or sentences) been used for the analyses, this observation would have gone undetected. A section explaining to users what the AIR contained, was introduced by each company. Shoprite, Spar and Clicks introduced this section in 2011, with Shoprite expanding the section to be more comprehensive in 2017 and 2018, while Pick n Pay introduced this in 2012. In 2010, Pick n Pay published a once-off tribute to Raymond Ackerman, the founder and ex-chairman of the board, as it was his retirement year.

#### **4.4.4 Financial explanations**

Financial explanations mostly comprised 10% and less for the four companies. Shoprite was the most consistent in their financial explanations with the number of pages ranging from 5 to 9 pages and a standard deviation of 1.135 (see Table 4.4). Additions to financial explanations coincided with the decision to change from presenting full annual financial statements to presenting extracts for both Pick n Pay and Shoprite. Pick n Pay's financial highlights increased from 1 to 4 pages in 2016 and Shoprite introduced pro-forma financial information in 2017. Spar showed an increase in the percentage of financial explanations due to the introduction of a narrated financial review in 2013 that was presented annually thereafter. Clicks was the only company to display a decrease in the number of pages containing financial explanations. The decrease was evident as a result of no longer presenting a business unit trading analysis and value-added statement and presenting a shorter 5-year review after 2011. Although not impacting on the page composition, it was observed that Pick n Pay initially presented a 10-year financial review in the years 2009 through to 2011 and in 2012, moved over to presenting a 5-year financial review, Shoprite moved from a 5-year financial review to a 3-year financial review in 2017, while Spar consistently presented a 5-year financial review and uniquely presented ratios and statistics to users annually.

#### 4.4.5 Governance information

The analysis in Table 4.3 and Figure 4.2 illustrates that governance information presentation has tended to increase in volume, both as a percentage of the total report, and in number of pages for all four companies, with Clicks being the most consistent year on year evidenced by the lowest standard deviation (see Table 4.4). An upward trend was expected from the 2011 financial year end, due to the introduction of King III as a mandatory condition in the JSE listing requirements for financial years commencing on, or after, 01 March 2010 and ending on, or after, 28 February 2011. However, all companies were voluntarily applying King II in 2009 and once King III had been released, they began adapting disclosures and referring to King III in 2010 already. This being so, an upward trend was identified in Pick n Pay and Spar, but the number of pages did not increase dramatically. Shoprite's increase only took place in 2012 and Clicks remained consistent. Pick n Pay saw their highest page numbers in 2014 and 2015, mainly as a result of all six board committees publishing reports in those years.

Table 4.5 divides the governance information further and indicates the different reports that were produced between 2009 and 2018. This additional analysis shows that many of the reports were consistent in nature between 2009 and 2018, with Pick n Pay showing more committee reports in 2014 and 2015. Both Pick n Pay and Clicks published an audit committee report annually, but ceased this publication in the AIR, following the shift in presentation of financial statements as explained in the annual financial statements section. Further investigation revealed that Pick n Pay disclosed their corporate governance, remuneration, audit and risk, and nominations committee reports in separate documents in the investor relations section of their company website in 2016, 2017 and 2018 in accordance with findings from Nel (2019). Spar initially reported a combined governance report containing all the committee reports until 2014 where the committee reports were shown individually thereafter. Spar originally had a combined remuneration and nominations committee and audit and risk committee which then divided into separate committees: the audit and risk committee divided in 2010 and the remuneration and nominations committee divided in 2016.

Holistically, the greatest increase in governance reporting in the latter of the analysis period stemmed from an increase in information in the remuneration committee report. Pick n Pay initially published a 3-page report which increased to 14 pages in 2017 and 19 pages in 2018; Shoprite's report grew from 1 page in 2011 to 10 pages in 2018; Spar from 5 pages in 2017 to 12 pages in 2018; and Clicks from 5 in 2013 to 10 pages in 2017 and 2018.

**Table 4.5: Governance reports: Pick n Pay, Shoprite, Spar and Clicks**

Governance Section	09	10	11	12	13	14	15	16	17	18
<b><u>Pick n Pay</u></b>										
Board of Directors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Audit committee report		✓	✓	✓	✓	✓	✓			
Remuneration committee report		✓	✓	✓	✓	✓	✓	✓	✓	✓
Social and ethics committee report					✓	✓	✓			
Risk management report					✓	✓				
Legal report					✓	✓	✓			
Nominations committee report						✓	✓			
Corporate governance committee report						✓	✓			
Corporate finance committee report						✓	✓			
<b><u>Shoprite</u></b>										
Board of Directors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Audit committee report		✓	✓	✓	✓	✓	✓	✓	✓	✓
Remuneration committee report		✓	✓	✓	✓	✓	✓	✓	✓	✓
Nominations committee report		✓	✓	✓	✓	✓	✓	✓	✓	✓
Social and ethics committee report				✓	✓	✓	✓	✓	✓	✓
<b><u>Spar</u></b>										
Board of Directors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Audit committee report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Remuneration committee report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nominations committee report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk committee report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Social and ethics committee report				✓	✓	✓	✓	✓	✓	✓
<b><u>Clicks</u></b>										
Board of Directors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Audit committee report	✓	✓	✓	✓	✓	✓				
Remuneration committee report	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk management report	✓	✓								
Social and ethics committee report				✓	✓	✓	✓			

Source: Compiled by author

#### 4.4.6 Shareholder information

Shareholder information provided in the AIRs has fluctuated from year to year for each of the four companies with no general trend. The maximum number of page numbers reflected in

Table 4.4 for the shareholder section, was reported in 2011 for Spar, 2012 for Pick n Pay, 2014 for Shoprite (with 2012 being the second largest year) and 2013 for Clicks. Further analyses revealed that the spikes in Shoprite for 2012, Spar and Pick n Pay were due to the once-off presentation of the new memorandum of incorporation, following the introduction of the new Companies Act in South Africa comprising 18 pages for Spar, 16 pages for Pick n Pay and 26 pages for Shoprite. The 2014 spike for Shoprite and that of Clicks were due to a notice to shareholders regarding the annual general meeting and other special general meetings: 32 pages for Shoprite and 16 for Clicks.

#### **4.4.7 Strategy and sustainability information**

Strategy and sustainability information has shown a general upward trend between 2009 and 2018 (see Figure 4.2). This upward trend could be explained by the introduction of the IIRC framework that indicated that “an integrated report should provide insight into the organisation’s strategy and how it relates to the organisation’s ability to create value” (IIRC, 2013: 5) and GRI guidelines that promote publication of sustainability information. Certain anomalies were identified when analysing the trend more comprehensively. Shoprite showed a decrease in presentation from 2011 to 2016 when they minimised their detailed 24-page sustainability report down to a summarised 5-page non-financial report. The company did increase presentation of strategic information, such as their business model, operating context and emphasis on how value had been created from 2017 through to 2018. Spar showed a general upward trend, mostly due to an expansion into Ireland in 2014, and Switzerland in 2016, resulting in more information on strategy, company profile, store formats and distribution centres, and more regions to report sustainability matters on. In 2017 and 2018 the strategy and sustainability information decreased from almost one third of the report to 15% due to Spar releasing their printable report as an abridged version in an effort to “go green” and referring stakeholders to their website for further information in accordance with findings from Nel (2019). Clicks showed a decrease from 2013 to 2015 due to not publishing a sustainability report and presenting a lower number of pages in the operational review. The page numbers reverted to the higher numbers in 2016 when Clicks created a section titled “creating value through good citizenship”. It was observed that Pick n Pay showed two general jumps, one in 2015, due to a new section on strategic focus, and another in 2017 due to a section on material issues, risks and opportunities.

#### 4.4.8 Overall analyses

In Table 4.3 and Figure 4.2 the composition of all four companies' AIRs between 2009 and 2018 have been summarised, with descriptive statistics in Table 4.4. Whilst the composition of the reports varied year on year, and from company to company, numerous similarities in reporting trends were noted throughout the analysis.

As an overall analysis, the number of pages of the AIRs all peaked at a point and thereafter decreased. The comprehensive analysis of each reporting section revealed that the majority of this decrease was due to a common change in presenting annual financial statements in stand-alone documents on the relevant corporate website, rather than as part of the AIR. Both Pick n Pay and Clicks ceased presenting audit committee reports coinciding with their changes in financial statement display as the audit committee report formed part of the document containing the full set of annual financial statements. The second commonality identified amongst the four companies was the increase in governance information, mainly due to a longer remuneration report. The increase in information has likely stemmed from the early adoption of King IV principles. King IV only became effective for financial years, beginning 01 April 2017 and, therefore, for Pick n Pay this meant application for the 2019 financial year (financial year end February) and the 2018 financial year for Clicks, Shoprite and Spar. King IV was released in November 2016 and all the companies had begun applying the King IV principles in their 2017 and 2018 financial years. All companies constituted a social and ethics committee in either their 2012 or 2013 reporting year in compliance with section 72(4) of the new South African Companies Act. There was a common consistency in the reports from key board members (Chairman and chief executive officer). The final commonality identified was an increase in strategy and sustainability information. In respect of three of the four companies (excluding Clicks), strategic information increased in the same year that the reports indicated application of the IIRC's framework (2013 for Pick n Pay and Spar and 2017 for Shoprite).

Pick n Pay and Clicks showed similarities in their decreasing shareholder information and increase in contents and pictures. This was consistent with findings by du Toit et al. (2017) who discovered a reduction in the volume of disclosure presented over their analysis period from 2012 to 2014. Both companies no longer presented their notice of annual general meeting and proxy forms as these were made available on the company website and both had an increase in full-page images. Pick n Pay displayed similarities with Spar in their financial explanations, with both increasing in 2013, due to the introduction of a narrated financial review. In the year

that displayed increased shareholder information, Pick n Pay, Shoprite and Spar had disclosed their memorandum of incorporation in accordance with the new companies act. Clicks displayed this information in 2012, but rather than the full memorandum, they produced a three-page summary and referred shareholders to their website for further information; therefore, not making an impact on the volume of shareholder information provided.

#### **4.5 RECOMMENDATIONS AND CONCLUSIONS**

Literature revealed that since the introduction of integrated reporting initiatives, in particular King III, AIRs have been positively affected. The majority of the research used checklists to comment on quality and compliance within the integrated report and had a short-term of coverage, with no research commenting on the actual composition or format of the AIR. This article was aimed at contributing towards this shortcoming in research through a comprehensive analysis of AIRs from companies listed in the JSE food and drug retail sector between 2009 and 2018.

The comprehensive analysis revealed that the composition of AIRs of companies listed in the JSE food and drug retail sector has shifted between 2009 and 2018. The AIRs now contain less annual financial statements and instead explain the results with reference to the full financial statements contained on the companies' websites. Other references to corporate websites were found for Pick n Pay that disclosed a number of governance reports thereon for 2016, 2017 and 2018 as well as Spar that published abridged annual reports and referred the users to the website for more information. Pick n Pay and Clicks both moved their notice of AGM and proxy forms online. The findings are consistent with PWC (2014) and du Toit et al. (2017) indicating that volumes have decreased resulting in AIRs becoming less cluttered. They also add to the findings of Nel (2019), who showed that companies refer readers of AIRs to corporate websites for additional information, rather than incorporating everything into the AIR, but did not have the JSE food and drug retail sector within his sample. Further research can be conducted, both locally in South Africa and internationally on alternative communication channels to the AIRs, as well as those that support or supplement the AIR and how these channels are utilised.

Other changes in the presentation of AIRs coincided with the release of certain integrated reporting developments which could have spurred this modification in presentation. The first such instance was the increase in governance information that was discovered to be due to an increase in remuneration reports. The increases coincide with the financial years in which the

companies had begun implementing King IV, that contains more definitive and stringent disclosure requirements, with respect to the remuneration report. The second such instance was the rise of strategy and sustainability information. Strategy information tended to rise in line with the release and application of the IIRC framework that emphasised disclosure of strategic focus being linked to future business prospects through disclosures on business model, risks and opportunities and strategy and resource allocation. Sustainability information increased in line with the updates of the GRI guidelines. Lastly additional shareholder information giving the new memorandum of incorporation was presented and the companies all formed a social and ethics committee following the introduction of the new Companies Act in South Africa.

Despite the noted adherence to the newest innovations on integrated reporting (especially the IIRC framework that has not been mandated by the JSE listing requirements such as King III and King IV), it is questionable as to whether the compliance has stemmed from treating the compilation of AIRs as a box-ticking exercise as suggested by Haji and Anifowose (2016) and de Villiers et al. (2017a). The alternative to this suggestion is that these innovations are functioning as intended and companies are applying their discretion to these principles when compiling their AIRs. It is recommended that future research in this arena be conducted through an interview or questionnaire aimed at those involved in drafting the AIRs.

One key limitation of the study is that only one sector has been analysed and, therefore, results are neither fully representative of the entire JSE nor are they generally applicable to other sectors. Although this limitation is present, the methodology of the article has resulted in a comprehensive foundational study that may be applied to other sectors and contrasted with these findings to expand the research base further. A replication of this study, utilising other sectors within the JSE listing, is recommended to contrast results across sectors. Similar research can be conducted on international security exchanges to compare the results against those that do not mandate integrated reporting on an “apply or explain” basis.

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## CHAPTER 5

### AN ANALYSIS OF SUSTAINABILITY REPORTING OF JSE LISTED COMPANIES IN THE FOOD AND DRUG RETAIL SECTOR<sup>4</sup>

#### ABSTRACT

Sustainability reporting has become a pertinent issue in research. South Africa is a country of focus, but the extent of sustainability reporting within integrated reports hasn't been fully explored within specific industries, one being the food and drug retail sector. Integrated reports of JSE-listed companies in this sector were examined over ten years to evaluate the degree of sustainability reporting contained therein through quantitative content analysis using the Global Reporting Initiative (GRI) framework. Overall sustainability scores for all companies except Clicks increased, with Pick n Pay producing the highest scores on average. The general dimension was a major contributor, followed by the economic, social and environmental division. One-third of the GRI framework criteria were not disclosed by any of the four companies. This, coupled with the result that the Likert scale produced significantly lower results than the dichotomous scale, indicates a low degree of quality in applying the GRI framework and room for improvement on sustainability reporting within integrated reports.

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<sup>4</sup> This chapter is a sole-authored article by Vanessa Gregory.

## 5.1 INTRODUCTION

The topic of sustainability has grown in interest within accounting research, with sustainability reporting becoming a pertinent issue (Aggarwal and Singh, 2019; Minutiello and Tettamanzi, 2022). Entities no longer focus merely on profits but rather on maximising entity wealth in conjunction with sustaining the business in the long-term, a model referred to as Entity Maximisation and Sustainability (Høgevold et al., 2014). This sustainability information needed to be presented to investors and other stakeholders; therefore, various reports were developed to disclose such information (Amacha and Dastane, 2017; Azzam et al., 2020; Zrnić, Starčević and Crnković, 2020).

Companies initially produced separate sustainability reports; however, as reporting initiatives evolved, it became a common practice to produce one integrated report with reference to expanded reports where necessary (Appiagyei, Djajadikerta and Xiang, 2016; Hunter, 2014; Nel, 2019; Ong, Trireksani and Djajadikerta., 2016). This practice was particularly observed by South African companies listed on the JSE following the mandating of King III application for financial years commencing on or after 01 March 2010 (Gregory, 2023; SAICA, 2010). Although this mandate was in place, companies were not instructed to apply specific standards when drafting integrated reports. Therefore, applying frameworks such as the Global Reporting Initiative (GRI) and International Integrated Reporting Council (IIRC) was not compulsory. Despite this, the GRI framework is the most used (Aifuwa, 2020; English and Schooley, 2014; Jeroe, 2016; Laskar and Maji, 2016).

Much research has been published on the relationship between sustainability reporting and performance (Crous, Battisti and Leonidou, 2021). More recently, researchers have delved into the extent and quality of sustainability reporting (Aggarwal and Singh; 2019, Minutiello and Tettamanzi, 2022). The literature review revealed that studies have been performed within a relatively short time frame and focus on either the extent or quality of reporting using a dichotomous scoring technique, with several studies focussing on South African companies. The food and drug retail sector was found to be particularly unexplored. Gregory and Chasomeris (2016) illustrated that the sustainability model was being applied by four companies listed in the food and drug retail sector on the Johannesburg Securities Exchange (JSE): Pick n Pay, Shoprite, Spar and Clicks and Gregory (2023) found an increase in pages containing sustainability information for these same four companies. This article is therefore aimed at adding to this research area through an examination of integrated reports of these four

companies listed in the JSE food and drug retail sector to evaluate the degree of sustainability reporting within these integrated reports, in accordance with the GRI framework, using both a dichotomous and Likert scale scoring technique over a ten-year period, 2009 to 2018.

The article is structured as follows: the next section contains a review of literature on sustainability reporting and the techniques used to analyse the extent and quality of sustainability reporting, followed by an explanation of the research methodology applied, results, and conclusions and recommendations.

## **5.2 LITERATURE REVIEW**

The topic of sustainability has grown in literature over several years. No universal definition of sustainability has been accepted (Høgevold et al., 2014); however, literature on the topic has embraced the Bruntland Report's definition of meeting present needs without compromising future generation's ability to meet their needs (United Nations, 1987) and have combined economic, social, environmental and governance aspects to encapsulate reporting of sustainability activities (Aifuwa, 2020; Dyllick and Hockerts, 2002; Hunter, 2014). Several frameworks have been developed to try to standardise the disclosure of sustainability activities; amongst these is the GRI framework which is the most popular (Aifuwa, 2020; English and Schooley, 2014; Jeroe, 2016; Laskar and Maji, 2016). Sustainability reporting developments and their degree of application are explored further in the following sections.

### **5.2.1 Sustainability reporting developments**

There has been a growing global interest in sustainability reports published by companies (Azzam et al., 2020). Sustainability reporting has been defined by Khaveh et al. (2012:7) as: "the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development". Several reporting initiatives have been developed for companies to base their sustainability reporting on; amongst these are the King Code of Corporate Governance, the GRI reporting standards, the IIRC framework and the Sustainability Accounting Standards Board (SASB) standards.

The GRI was founded in 1997 and published its first set of sustainability reporting guidelines, G1, in 2000 (GRI, 2022). These guidelines were updated to G2 in 2002 and, in the same year,

King II was published, suggesting that reports should incorporate sustainability and risk management information (de Villiers, Hsiao, and Maroun, 2017; Dumay et al., 2016; Scholtz, Mans-Kemp and Smit, 2018). In 2006, G2 was updated to G3, and in 2009 King II to King III. King III proposed the publication of one report to holistically present performance on both financial and non-financial matters – an annual integrated report (de Villiers et al., 2017; Dumay et al., 2016), application thereof was mandated by the JSE listing requirements resulting in South Africa being the first and only country to embrace integrated reporting principles on the “apply or explain” basis (Appiagyei et al., 2018; de Villiers et al., 2017; Dube, 2017; Eccles, Krzus and Solano, 2019). Further updates in GRI guidelines occurred in 2013, with a complete set of GRI standards published in 2016 and revised in 2021 (GRI, 2022). King III was updated to King IV in 2016 and recommended the publication of an annual integrated report (Institute of Directors, 2016). The IIRC issued a framework in 2013 and subsequently merged with the SASB in 2021 to form the Value Reporting Foundation (Bouvier, 2021), which, in 2022, consolidated with the International Financial Reporting Standards Foundation that have established the first International Sustainability Standards Board (SASB, 2022). The SASB has also published sustainability standards but has customised them according to industry, with 77 industry standards available.

### **5.2.2 Degree of sustainability reporting**

Whilst the realm of sustainability reporting has been developed, researchers have increased their investigation therein, with one primary area of analysis being the extent and quality of sustainability disclosures within published reports (Minutiello and Tettamanzi, 2022; Zrnić et al., 2020). Many authors have used content analyses, arriving at index figures to perform their investigations (Galant and Cadez, 2017). Table 5.1 summarises several identified studies utilising this technique and their relevant findings.

**Table 5.1: Summary of studies using content analyses and sustainability indices for analysis**

Source	Period	Country	Basis of index	Scoring scale	Results
Burhan and Rahmanti (2012)	2006-2009	Indonesia	GRI framework	Dichotomous	The economic dimension presented the highest score, followed by the social and environmental dimensions.
Taib and Ameer (2012)	2005-2009	United Kingdom and United States	Checklist based on Fadul (2004)	Dichotomous but enhanced information was scored a 2 rather than a 1	Increase in disclosure when comparing 2005 to 2009.
Kosovic and Patel (2013)	2009 and 2011	South Africa	IIRC prototype framework	Dichotomous	Increase in disclosure from 2009 to 2011, with the social dimension scoring higher than the environmental division.
Makiwane and Padia (2013)	2009 to 2010/2011	South Africa	King III and GRI framework	Likert (1 to 5)	Increase in disclosures from 2009 to 2010/2011.
Hunter (2014)	2010-2012	South Africa (Tourism)	GRI framework, JSE SRI criteria and South African standards for responsible tourism	Likert (0 to 2)	Increase in scores from 2010 to 2012.

**Table 5.1 continued: Summary of studies using content analyses and sustainability indices for analysis**

Garg (2015)	2008-2012	India	GRI framework	Dichotomous	Sustainability scores increased comparing 2008 to 2012.
Setia et al. (2015)	2009-2012	South Africa	IIRC framework	Dichotomous	Increase in disclosure from 2009/2010 to 2011/2012.
Haji and Anifowose (2016)	2011-2013	South Africa	IIRC framework	Dichotomous for the extent of reporting practice and Likert (0 to 3) for quality of reporting practice	Significant increase in extent and quality of integrated reporting practice when comparing 2011 to 2013 and higher scores were attained for the extent of reporting compared to the quality indicating the generic nature of integrated reporting (rather than being company specific).
Laskar and Maji (2016)	2008/2009 to 2013/2014	India	GRI framework	Dichotomous for the level of reporting and Likert (0 to 3) for quality of disclosure.	The quality of disclosure was lower than the quantity of disclosure, but sustainability scores did increase from 2008/2009 to 2013/2014.
Munshi and Dutta (2016)	2011/2012 and 2012/2013	10 American and 10 Indian	GRI framework	Likert (0 to 2)	Disclosure increased over the period, with India showing better results than America and the environmental dimension performing poorly compared to economic and social dimensions.

**Table 5.1 continued: Summary of studies using content analyses and sustainability indices for analysis**

Ong et al. (2016)	2012	Australia	GRI framework	Hard versus soft disclosures	More soft disclosure items were disclosed than hard, and more economic disclosure was presented than environmental and social.
Dube (2017)	2012-2017	South Africa	IIRC framework	Likert (0 to 3)	Scores increased from 2012 to 2017.
Wen and Heong (2017)	2012-2015	Malaysia	IIRC framework	Dichotomous	The organisational overview section scored the highest, and all scores were above 50% except the lowest category: basis of preparation.
Appiagyei et al. (2018)	2011-2016	South Africa	IIRC framework	Likert (0 to 3)	The quality of integrated reporting for companies listed on the JSE has improved from 2011 to 2016.
Beck et al. (2018)	2012	Australia, Hong Kong, United Kingdom	GRI framework	Dichotomous	Higher disclosures were found in the sustainability report versus the annual report, but only 58% of the sample had sustainability reports.
Chaka (2018)	2010 vs 2015	South Africa vs Global	GRI framework and JSE SRI index	Dichotomous	South Africa produces more sustainability information, which has increased from 2010 to 2015.
Jaffar, Nor and Selamat (2018)	2012 and 2015	Malaysia	IIRC framework	Dichotomous	The level of voluntary disclosure of information was higher in 2015 compared to 2012.
Sampong et al. (2018)	2010-2015	South Africa	GRI framework	Dichotomous	The extent of incorporation of sustainability among companies on the JSE is great.

**Table 5.1 continued: Summary of studies using content analyses and sustainability indices for analysis**

Scholtz et al. (2018)	2011, 2013 and 2015	South Africa (Banking)	IIRC framework	Likert (0 to 3)	Scores increased from 2011 to 2015.
Aggarwal and Singh (2019)	2013-2014	India	Several national and international standards on sustainability performance, including the GRI framework	Dichotomous to examine sustainability quantity and Likert scale (0 to 5) to determine the quality	The quality of sustainability reporting was significantly lower than the quantity of disclosure.
Nurkumalasari, Restuningdiah and Sidharta (2019)	2015-2017	Asia	IIRC framework	Dichotomous	Average disclosures are high.
Azzam et al. (2020)	2009-2018	Jordan	Amman stock exchange guidance on sustainability reporting	Dichotomous	Environmental was found to have the highest mean score, followed by governance and social.
Marrone and Oliva (2020)	2017	South Africa	IIRC framework	Likert (0 to 3)	South African companies have a high level of compliance with the IIRC framework.

GRI, Global reporting initiative; JSE, Johannesburg securities exchange; IIRC, International integrated reporting council; SRI, Sustainability Reporting Index.

Source: Compiled by author

South Africa has presented as the focus of numerous sustainability studies, with 11 of the 23 studies presented in Table 5.1 based thereon and South African companies scoring the highest sustainability scores in relation to other countries analysed (Chaka, 2018; Eccles et al., 2019). However, Kosovic and Patel (2013) was the only study that showed results from the food and drug retail sector. Fourteen studies focussed on periods of three years or less, 13 used only a dichotomous scale, and 11 used the GRI framework for their analyses. Regardless of the approach, all studies concluded that there was an improvement in sustainability reporting. Only three studies, one on JSE listed companies (Haji and Anifowose, 2016) and two on Indian companies listed on the National Stock Exchange (Aggarwal and Singh, 2019; Laskar and Maji, 2016), used both the dichotomous and Likert scales to analyse data. All three showed that the Likert scale (measuring quality of reporting) produced lower scores than the dichotomous scale that only measured the presence or quantity of sustainability reporting factors.

The consulted literature has revealed that there have been several developments in the sustainability reporting realm, with South Africa as a key country of interest. Despite this, there is evidence for areas of growth within the research topic.

### **5.3 RESEARCH METHODOLOGY**

The study followed a longitudinal design aimed at analysing sustainability reporting within the integrated report of JSE listed companies within the food and drug retail sector over a ten-year period from 2009 to 2018 through content analysis. Content analysis is a methodology frequently used in reporting analysis (Aggarwal and Singh, 2019; de Villiers, Dumay and Maroun, 2019; Galant and Cadez, 2017; Gregory, 2023) that encompasses both qualitative and quantitative approaches (Merkl-Davies, Brennan and Vourvachis, 2011). One technique within the quantitative approach entails using a scoring system on either a nominal level (dichotomous scale) to indicate the presence or absence of a theme or an ordinal level (Likert scale) to represent the extent of disclosure within a theme (Beattie, McInnes and Fearnley, 2004; Minutiello and Tettamanzi, 2022). Both the dichotomous scale and Likert scale have been used in prior studies, with themes derived from either the GRI framework or the IIRC framework (refer to the literature review), the majority using the dichotomous scale and the GRI framework.

This study utilised the GRI framework to analyse sustainability reporting as this framework was “the most widely used around the world” (English and Schooley, 2014:26) and was the only framework consistently available throughout the ten-year period from 2009 to 2018. Quantitative content analysis was used to attain an overall sustainability score in addition to sustainability scores under the four dimensions within the framework: general, economic, environmental and social. The sustainability scores were obtained using both a dichotomous scale (0 if not presented, 1 if presented) and a 6-point Likert scale where points were awarded based on the magnitude of information presented in the annual integrated report in relation to the GRI framework requirements. The 6-point scale was as follows: 0 not presented, 1 minimal information presented and not in line with the framework but within the topic sphere, 2 many points not addressed, 3 some points not addressed, 4 few points not addressed, 5 all points addressed, a similar framework to that applied in Aggarwal and Singh (2019). In line with methodologies used by Aggarwal and Singh (2019), Kosovic and Patel (2013), Laskar and Maji (2016), Munshi and Dutta (2016), Sampong et al. (2018) and Wen and Heong (2017), after obtaining the score for each criterion, a total overall score and score per dimension was computed and expressed as a percentage for each company in each financial year enabling both year-on-year and company-to-company analysis. Higher scores reflected a greater level of sustainability reporting than lower scores.

The formula for the computation of each dimension score ( $DISC_i$ ) per company per year was as follows:

$$DISC_i = \sum_{i=1}^n X_i / M \times 100$$

Where M represents the maximum expected score (equating to n on the dichotomous scale and 5n on the Likert scale),  $X_i$  represents the score per criteria (0-1 on the dichotomous scale and 0-5 on the Likert scale), i represents each criterion within a dimension and n represents the total number of criteria within each dimension (general (59), economic (13), environmental (30), social (34), total (136)).

One limitation within a methodology that uses score assignment is the researcher’s subjective judgement, which could introduce bias to the results (Dube, 2017). To mitigate this risk, a rules-based framework was used to score against, scoring for each criterion was completed within a short turnaround time, and a cross-case comparison was performed between periods and companies to provide validity to the study (akin to Hunter (2014)). In addition to these

measures, Cronbach’s alpha, a common statistic used to measure internal consistency (Amacha and Dastane, 2017; Groenewald and Powell, 2016; Scholtz et al., 2018), was calculated for each dimension scored. The coefficients (reported in Table 5.2) ranged between 0.892 and 1, reflecting a high degree of reliability.

**Table 5.2: Cronbach alpha scores**

<b>Dimension</b>	<b>Dichotomous</b>	<b>Likert</b>
General	1	0.985
Economic	0.999	0.987
Environmental	0.989	0.892
Social	0.998	0.981
Total	0.999	0.989

Source: Compiled by author

Paired t-tests, Wilcoxon signed-rank tests and Pearson correlations were used to compare the scores obtained using the Likert scale to those obtained using the dichotomous scale to investigate whether there was a difference between using the dichotomous scale and the Likert scale as a scoring measure.

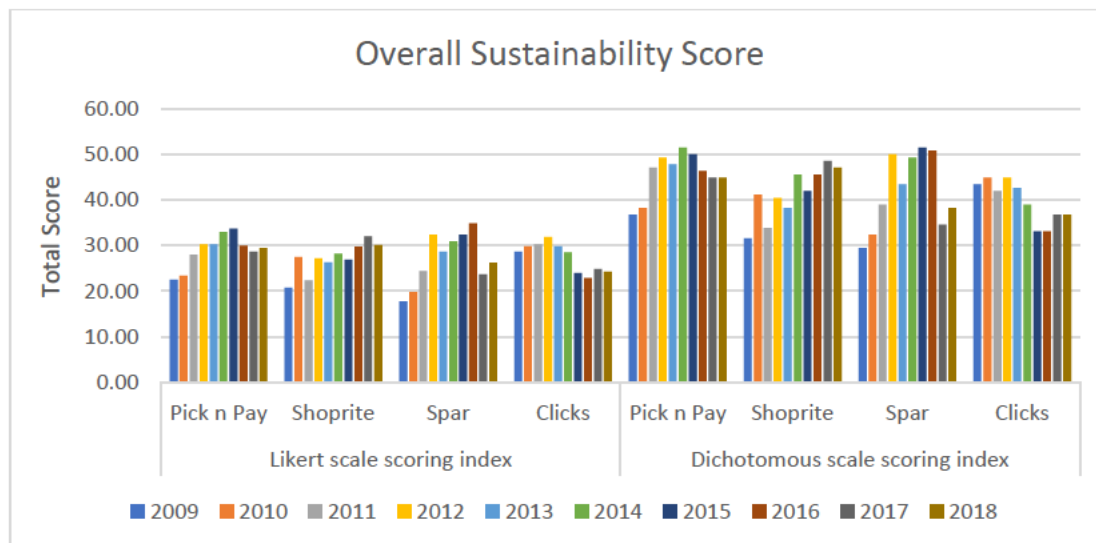
## **5.4 RESULTS**

Companies’ annual integrated reports were sourced and used to calculate sustainability scores in accordance with the methodology explained above. The data has been analysed using graphs, descriptive statistics, paired t-tests, Wilcoxon signed-rank tests and Pearson correlations to compare the scoring techniques and explain the degree of sustainability reporting with reference to the GRI framework within the annual integrated report. The results have been organised as follows: Figure 5.1 analysed the overall sustainability score using both the dichotomous and Likert scales, Table 5.3 compared the two scores using paired t-tests, Wilcoxon signed-rank tests and Pearson correlations, Figures 5.2 and 5.3 analysed the overall sustainability score further into the four dimensions of the GRI framework: general, economic, environmental and social using the dichotomous and Likert scales and Table 5.4 displayed the descriptive statistics of these results.

### 5.4.1 Dichotomous scale versus Likert scale

Dichotomous scoring has resulted in higher sustainability scores than Likert scoring. This is in accordance with findings from Aggarwal and Singh (2019), Haji and Anifowose (2016) and Laskar and Maji (2016). The mean overall scores using the Dichotomous scoring range from 39.63 to 45.66 compared to 27.10 to 28.91 using the Likert scoring (refer to Table 5.4). Figure 5.1 graphically depicts this difference, supported by the statistics (negative t-scores and negative ranking) presented in Table 5.3. The difference between the scoring techniques is significant using the paired t-test (where data is assumed to be normally distributed) and the Wilcoxon signed-rank test (where there is no assumption of normality) as all p-values were lower than  $\alpha = 0.05$ . Eleven of 40 variables were not normally distributed according to the Shapiro-Wilk test. Both scores are significantly correlated, evidenced by the Pearson correlation coefficient. This correlation was expected as, although the scoring techniques are very different, the same information was analysed based on the same GRI framework. Thus the correlation provides further evidence of the reliability of the calculated scores.

The difference in sustainability scores demonstrates that whilst a criterion has been applied (and therefore scored a 1 under the dichotomous scale), the degree of application of the GRI framework (quality) is low, with many points within the GRI framework remaining unaddressed. Consequently, if data was only analysed using the dichotomous scale to indicate sustainability, there is a risk that incorrect conclusions could be arrived at. For this reason, the following analyses refers to both scales.



Source: Compiled by author

**Figure 5.1: Overall sustainability score using Likert and Dichotomous scale**

**Table 5.3: Likert and dichotomous scale comparison**

Company	<u>Paired t-test</u>			<u>Wilcoxon signed-rank test</u>				<u>Pearson correlation</u>	
	t	df	p-value	Negative ranks <sup>1</sup>	Positive ranks <sup>2</sup>	Ties <sup>3</sup>	p-value	r	p-value
<b><u>Likert General - Dichotomous General</u></b>									
Pick n Pay	-36.099	9	0.000	10	0	0	0.005	.988**	0.000
Shoprite	-37.570	9	0.000	10	0	0	0.005	.987**	0.000
Spar	-31.300	9	0.000	10	0	0	0.005	.997**	0.000
Clicks	-44.284	9	0.000	10	0	0	0.005	.965**	0.000
<b><u>Likert Economic - Dichotomous Economic</u></b>									
Pick n Pay	-20.031	9	0.000	10	0	0	0.005	.851**	0.002
Shoprite	-16.862	9	0.000	10	0	0	0.005	.846**	0.002
Spar	-10.293	9	0.000	10	0	0	0.005	.653*	0.041
Clicks	-8.194	9	0.000	10	0	0	0.005	.930**	0.000
<b><u>Likert Environmental - Dichotomous Environmental</u></b>									
Pick n Pay	-8.930	9	0.000	10	0	0	0.005	.894**	0.000
Shoprite	-3.056	9	0.014	8	0	2	0.011	.997**	0.000
Spar	-4.122	9	0.003	9	0	1	0.008	.988**	0.000
Clicks	-4.071	9	0.003	9	0	1	0.007	.971**	0.000
<b><u>Likert Social - Dichotomous Social</u></b>									
Pick n Pay	-26.647	9	0.000	10	0	0	0.005	.858**	0.001
Shoprite	-8.351	9	0.000	10	0	0	0.005	.778**	0.008
Spar	-6.328	9	0.000	10	0	0	0.005	.957**	0.000
Clicks	-7.088	9	0.000	10	0	0	0.005	.718*	0.019
<b><u>Likert Total - Dichotomous Total</u></b>									
Pick n Pay	-30.899	9	0.000	10	0	0	0.005	.957**	0.000
Shoprite	-19.015	9	0.000	10	0	0	0.005	.976**	0.000
Spar	-15.722	9	0.000	10	0	0	0.005	.977**	0.000
Clicks	-20.235	9	0.000	10	0	0	0.005	.939**	0.000

$\alpha = 0.05$

Notes: 1. Negative ranks - Likert < Dichotomous

2. Positive ranks - Likert > Dichotomous

3. Tie - Likert = Dichotomous

\*\* Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

Source: Compiled by author

### 5.4.2 Overall score

Figure 5.1 summarises the overall sustainability scores using both the dichotomous and Likert scales from 2009 to 2018. All companies have increased their overall sustainability score when comparing 2009 to 2018, except Clicks, with scores decreasing from 28.68 to 24.26 using the Likert scale and 43.38 to 36.76 using the dichotomous scale. The peaks for each company arose in different years for each company and each scale. Under the Likert scale, Pick n Pay peaked in 2015, Shoprite, 2017, Spar, 2016 and Clicks in 2012, whereas under the dichotomous scale, Pick n Pay peaked in 2014, Shoprite, 2017, Spar, 2015 and Clicks in 2010 and 2012. Clicks was an outlier on the lowest scores, with their lowest score being in 2015 and 2016 using dichotomous scoring (2016 only using Likert scoring), whilst the other three companies experienced their lowest score in 2009 under both scales.

Of the four companies analysed, Spar's scores have fluctuated the most over the ten-year period, with a standard deviation of 5.69 compared to the other companies whose standard deviations were all 3.6 or below under the Likert scale. Spar's standard deviation using the dichotomous scale was substantially greater at 8.26. Clicks was the most consistent with the lowest range, standard deviation and variance under both scales. Overall mean scores were below 50 using the dichotomous scale and below 30 using the Likert scale, indicating that the annual integrated report was not found to display a significant amount of sustainability information, despite the apparent increase in scores in three of the four companies. Annual integrated reports did refer users to additional sustainability information on their websites in line with findings from Nel (2019); however, this information was not considered in this analysis as it was not available for all companies over the analysis period. No historical information for Clicks could be located, Spar disclosed climate change and water information relevant for the Carbon Disclosure Project, but only for 2017 and 2018, and, whilst Shoprite did produce an additional sustainability report for each of the ten years, only 2012, 2013 and 2018 had additional information over and above that disclosed in the annual integrated report. Pick n Pay produced biannual sustainability reports.

On average, Pick n Pay produced the most sustainability information over the ten-year period based on the Likert scale, with the other three companies scoring relatively closely and Spar producing the least. Although Pick n Pay did have the highest average, it was noted that Clicks produced the highest Likert scores from 2009 to 2012, Pick n Pay from 2013 to 2015, Spar in 2016 and Shoprite in 2017 and 2018. Similarly, under the dichotomous scale,

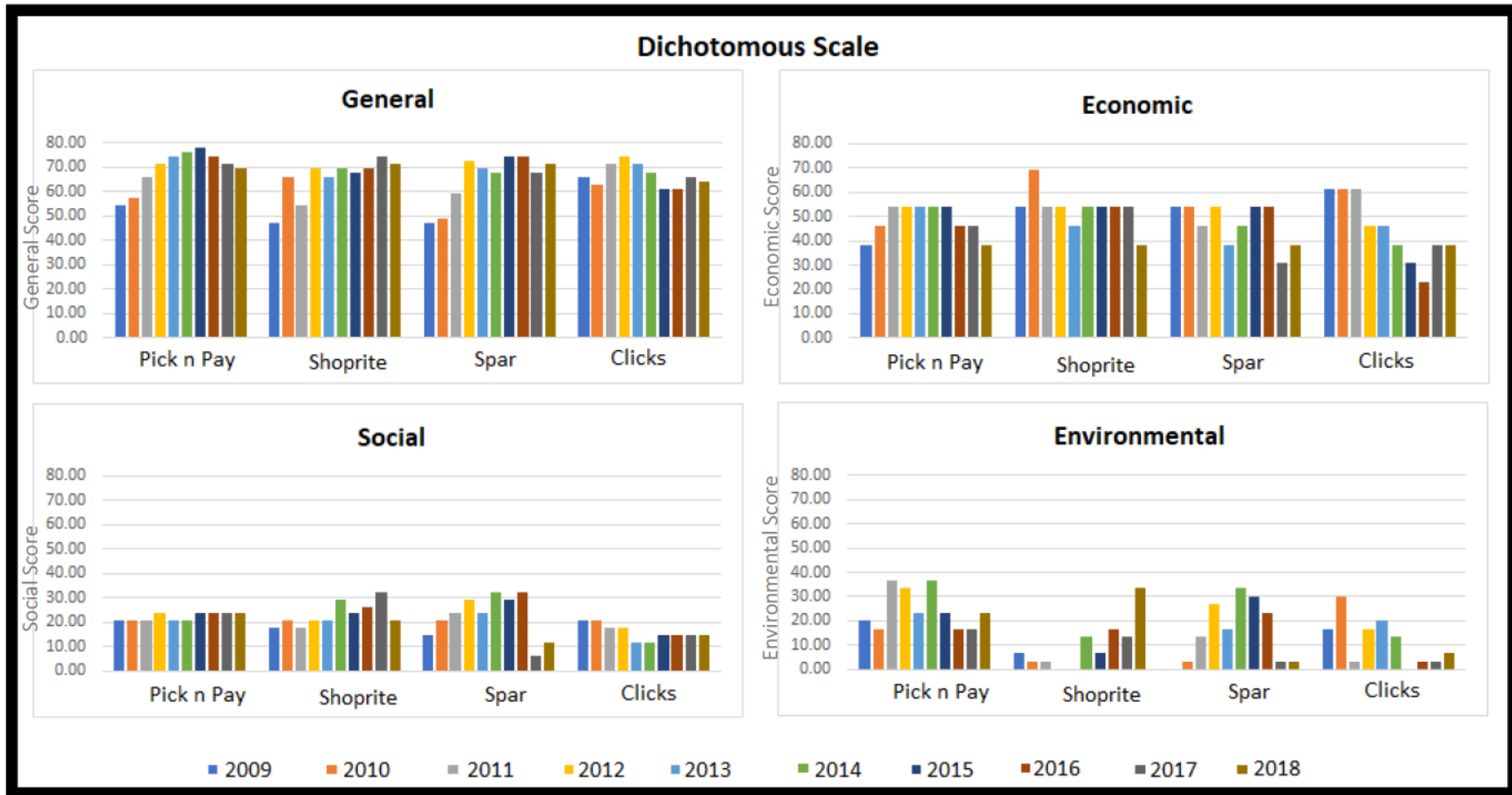
Pick n Pay was indicated as disclosing the most sustainability information over the ten-year period; however, Spar produced the second highest average rather than the lowest and Clicks the lowest. This indicates that whilst Spar disclosed more themes (and hence the higher dichotomous scale), they did not disclose them in as much depth and therefore scored lower using the Likert scale. To enable the overall score to be scrutinised further, scores for each of the four dimensions within the GRI framework have been calculated. They are explained in further detail in the following sections with reference to Table 5.4, Figure 5.2 and Figure 5.3.

**Table 5.4: Descriptive statistical analyses of sustainability scores**

Company	N	<u>Likert</u>						<u>Dichotomous</u>					
		Range	Min	Max	Mean	Std Dev	Var	Range	Min	Max	Mean	Std Dev	Var
<b><u>General</u></b>													
Pick n Pay	10	18.98	35.59	54.58	47.22	6.28	39.38	23.73	54.24	77.97	69.32	7.89	62.21
Shoprite	10	24.07	31.19	55.25	46.51	7.28	53.06	27.12	47.46	74.58	65.59	8.31	68.98
Spar	10	23.05	29.49	52.54	44.81	8.10	65.60	27.12	47.46	74.58	65.42	10.05	100.99
Clicks	10	13.22	43.73	56.95	49.36	4.21	17.73	13.56	61.02	74.58	66.61	4.59	21.10
<b><u>Economic</u></b>													
Pick n Pay	10	15.38	18.46	33.85	27.38	5.27	27.77	15.38	38.46	53.85	48.46	6.33	40.11
Shoprite	10	27.69	13.85	41.54	29.54	8.17	66.69	30.77	38.46	69.23	53.08	7.65	58.51
Spar	10	12.31	18.46	30.77	25.23	3.71	13.78	23.08	30.77	53.85	46.92	8.47	71.66
Clicks	10	18.46	16.92	35.38	24.92	6.76	45.65	38.46	23.08	61.54	44.62	13.47	181.46
<b><u>Environmental</u></b>													
Pick n Pay	10	12.00	5.33	17.33	11.40	4.17	17.43	20.00	16.67	36.67	24.67	8.04	64.69
Shoprite	10	11.33	0.00	11.33	3.13	3.37	11.36	33.33	0.00	33.33	9.67	10.12	102.35
Spar	10	13.33	0.00	13.33	6.20	5.60	31.41	33.33	0.00	33.33	15.33	12.49	156.05
Clicks	10	12.67	0.00	12.67	4.47	4.49	20.15	30.00	0.00	30.00	11.33	9.58	91.85
<b><u>Social</u></b>													
Pick n Pay	10	5.88	10.00	15.88	13.18	2.02	4.09	2.94	20.59	23.53	22.06	1.55	2.40
Shoprite	10	8.82	10.00	18.82	13.71	2.27	5.16	14.71	17.65	32.35	22.94	4.96	24.61
Spar	10	21.76	4.71	26.47	15.53	6.56	43.00	26.47	5.88	32.35	22.35	9.11	83.04
Clicks	10	5.29	8.82	14.12	10.94	2.17	4.71	8.82	11.76	20.59	15.88	3.16	10.00
<b><u>Overall Score</u></b>													
Pick n Pay	10	11.18	22.50	33.68	28.91	3.60	12.99	14.71	36.76	51.47	45.66	4.81	23.12
Shoprite	10	11.32	20.74	32.06	27.12	3.43	11.76	16.91	31.62	48.53	41.40	5.60	31.36
Spar	10	17.06	17.79	34.85	27.10	5.69	32.33	22.06	29.41	51.47	41.84	8.26	68.30
Clicks	10	8.97	22.94	31.91	27.51	3.19	10.17	11.76	33.09	44.85	39.63	4.54	20.60

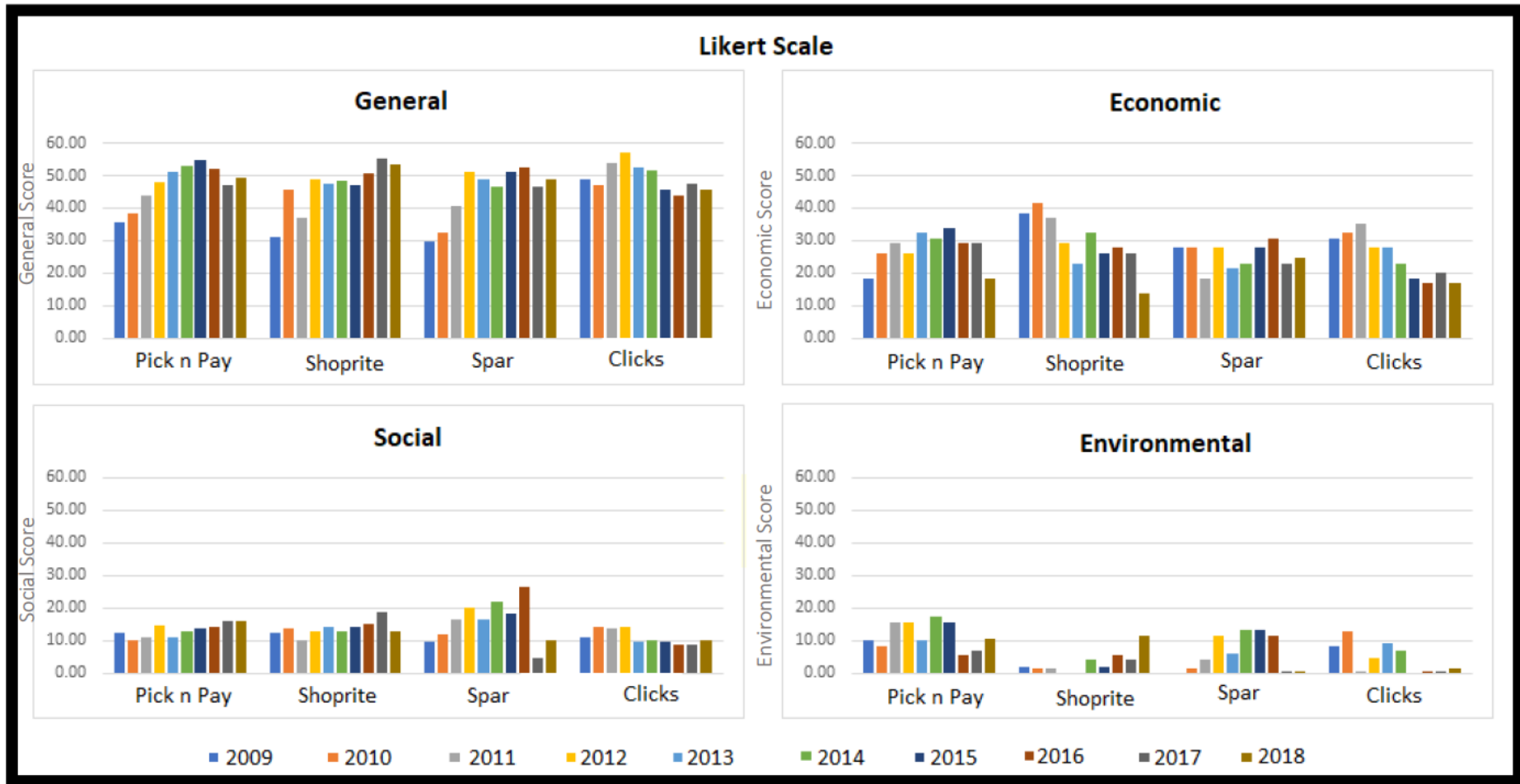
Min, Minimum; Max, Maximum; Std Dev, Standard Deviation; Var, Variance

Source: Compiled by author



Source: Compiled by author

**Figure 5.2: Sustainability scores per dimension using a Dichotomous scale**



Source: Compiled by author

**Figure 5.3: Sustainability scores per dimension using a Likert scale**

### 5.4.3 General dimension

The trend of all companies, based on both scoring techniques, for the general dimension closely resembles the trends identified in the overall score discussion. This likeness is due to the general dimension comprising 59 criteria of the 136 criteria (a contribution of 43.38% towards the overall score) and scoring the highest scores amongst the four dimensions, consequently being the most significant contributor to the overall score. Ten of the 59 criteria were not applied by any entities and therefore scored a zero on both scales. The average score using the Likert scale ranged from 44.81 (Spar) to 49.36 (Clicks) and 65.42 (Spar) to 69.32 (Pick n Pay) using the dichotomous scale. Clicks had the least variation, followed by Pick n Pay, Shoprite and Spar with the most variation. Within the general dimension, the largest sub-categories were organisational profile (13 criteria – 1 not applied by all companies), governance (22 criteria – 4 not applied by all companies) and reporting practice (12 criteria – 2 not applied by all companies).

All four companies scored well under the organisational profile as it required presenting items commonly available in an integrated report, such as company name, business activities, location and who the customers are of the business. Areas under the organisational profile where Likert scores were lower related to employee information, supply chain, external initiatives supported and membership of associations.

Under the governance section, it was expected that scores would be higher with King III having been released in 2009 and application mandated by the JSE on an “apply or explain” basis for financial years commencing on or after 01 March 2010; however, not all the criteria in the GRI guidelines were required per King III. The four criteria not applied by all companies related to the process of communicating critical concerns, disclosing the nature and number of concerns and providing an annual total compensation ratio and percentage increase in this ratio. Two categories, consulting with stakeholders and conflicts of interest, were not covered every year and, when covered, only briefly. Other categories that were only briefly incorporated into the annual report were the role of the highest governance body, the collective knowledge of the highest governance body and identification and management of economic, environmental and social impacts.

Within the reporting practice area, it was found that external assurance was mostly given on financial statement information, with only selected sustainability figures such as BBBEE scores and climate change information being verified. Whilst Pick n Pay and Spar

indicated that GRI guidelines were complied with for most of the ten-year period, Shoprite only declared compliance in 2010 and Clicks in 2009 and 2010. Remarkably few companies produced a GRI content index even when compliance was disclosed. No company specifically mentioned the date of the last report.

#### **5.4.4 Economic dimension**

The economic dimension was the next best scoring division, with averages ranging from 24.92 (Clicks) to 29.54 (Shoprite) on the Likert scale and 44.62 (Clicks) and 53.08 (Shoprite) on the dichotomous scale. The dimension contained 13 criteria, three of which were not applied by any of the companies analysed relating to the proportion of senior management hired from the local community, the ratio of wages paid to local minimum wage and which operations were assessed for risk of corruption. The Likert and dichotomous scores showed the same company ranking according to the average score. Shoprite had the highest scores, presenting some information for each criterion other than the three above. Pick n Pay had the next best score but didn't disclose any information on government assistance or the number of corruption incidents. These items were also not disclosed by Spar, who scored the third best and only disclosed climate change information in one year, 2015. Clicks showed the lowest scores mainly because they stopped presenting a distribution of wealth statement from 2012 onwards and didn't produce any climate change information.

#### **5.4.5 Social dimension**

The third-best scoring division was the social dimension. This dimension comprised 34 criteria, 18 (52.94%) of which were not applied by any companies analysed. The average scores ranged from 10.94 (Clicks) to 15.53 (Spar) using the Likert scale and 15.88 (Clicks) to 22.94 (Shoprite) using the dichotomous scale. As there were a significant number of categories where none of the analysed companies presented information, the descriptive statistics were recalculated based only on the criteria reported by at least one company to aid the analyses (refer to Table 5.5). The averages, after excluding the criteria that were not presented by any of the companies analysed, revealed that the average scores were still low, with the Likert scale ranging from 23.25 (Clicks) to 33 (Spar) and the dichotomous scale ranging from 33.75 (Clicks) to 48.75 (Shoprite).

**Table 5.5: Scores in the social dimension after excluding unrepresented criteria**

Company	N	<u>Likert</u>						<u>Dichotomous</u>					
		Range	Min	Max	Mean	Std Dev	Var	Range	Min	Max	Mean	Std Dev	Var
Pick n Pay	10	12.50	21.25	33.75	28.00	4.30	18.47	6.25	43.75	50.00	46.88	3.29	10.85
Shoprite	10	18.75	21.25	40.00	29.13	4.83	23.28	31.25	37.50	68.75	48.75	10.54	111.11
Spar	10	46.25	10.00	56.25	33.00	13.93	194.17	56.25	12.50	68.75	47.50	19.36	375.00
Clicks	10	11.25	18.75	30.00	23.25	4.61	21.25	18.75	25.00	43.75	33.75	6.72	45.14

Source: Compiled by author

Further analysis into the criteria revealed that all companies disclosed their new employee hires and/or employee turnover each year but did not divide these figures according to age group, gender or region (therefore scoring low on the Likert scale), the exception being Spar who only presented for three years and Clicks for eight years. Shoprite was the only company not to disclose benefits given to full-time employees. Clicks showed this information briefly for each of the years within the ten-year period, and Pick n Pay and Spar only presented this for seven of the ten years but in more detail, averaging a Likert score of 3.5 for that criterion. Pick n Pay and Clicks did not disclose information regarding their employee training. Other criteria not disclosed by Clicks were concerning screening of suppliers using social criteria, negative social impacts in the supply chain (this also wasn't disclosed by Spar) and health and safety impacts on products and services.

For a number of criteria, only one company produced information. For example, Spar was the only company to disclose their minimum notice period regarding operational changes (albeit only for one year) and to indicate that there were no incidents of discrimination (disclosed for two years) and that labelling, packaging and product safety requirements were fully complied with (disclosed for one year). Pick n Pay was the only company to disclose that there were no health and safety incidents related to products and services (for two years). For other criteria, one company produced the information for more years within the period than others: Shoprite indicated for eight of the ten years that no contributions were given to political parties, when Pick n Pay only disclosed this for four years and Spar and Clicks three years respectively; Spar presented two criteria for eight years (workers representation on health and safety committees and health and safety statistics showing the number and types of injuries experienced) whereas Pick n Pay, Shoprite and Clicks only disclosed these for five years or less.

#### 5.4.6 Environmental dimension

The lowest scoring division was the environmental dimension. This dimension comprised 30 criteria, and, similar to the social dimension, a number of these criteria were not applied by any of the companies analysed (14 criteria (46.67%)). The Likert and dichotomous scores both showed the same ranking of the companies according to the average score, with Pick n Pay being the highest scorer, followed by Spar, Clicks and Shoprite. The average scores ranged from 3.13 (Shoprite) to 11.4 (Pick n Pay) using the Likert scale and 9.67 (Shoprite) to 24.67 (Pick n Pay) using the dichotomous scale. A similar exercise to that performed with the social dimension was completed to show that after excluding all criteria not presented by any companies analysed, average scores were still low (refer to Table 5.6). Comparing Table 5.5 to Table 5.6, it is evident that the environmental dimension provided the lowest scores, even excluding the unrepresented criteria. One reason noted for the low Likert scale scores was that, where environmental information was presented, much of it was quantitative, with little to no elaboration or discussion on the numbers. The lower environmental scores were also expected given that Burhan and Rahmanti (2012) with research years 2006 to 2009 and Kosovic and Patel (2013) with research years 2009 and 2011 found in their analyses that the environmental scores were the lowest. Further to this, the food and drug retail sector is not considered to be an environmentally sensitive sector (Dzomonda, 2021; Wingard, 2001). As such it would not be expected that a significant amount of environmental information would be disclosed.

**Table 5.6: Scores in the environmental dimension after excluding unrepresented criteria**

Company	N	<u>Likert</u>						<u>Dichotomous</u>					
		Range	Min	Max	Mean	Std Dev	Var	Range	Min	Max	Mean	Std Dev	Var
Pick n Pay	10	22.50	10.00	32.50	21.38	7.83	61.27	37.50	31.25	68.75	46.25	15.08	227.43
Shoprite	10	21.25	0.00	21.25	5.88	6.32	39.95	62.50	0.00	62.50	18.13	18.97	359.81
Spar	10	25.00	0.00	25.00	11.63	10.51	110.43	62.50	0.00	62.50	28.75	23.42	548.61
Clicks	10	23.75	0.00	23.75	8.38	8.42	70.85	56.25	0.00	56.25	21.25	17.97	322.92

Source: Compiled by author

Similar to the social dimension, it was noted that there were a few criteria where little to no information was presented by at least one company when some of the other companies had given this information. Shoprite was the lowest scorer. Of the 16 criteria in which at least one company disclosed social measures, it was found that 12 of these were presented by Shoprite for two or fewer years. Despite this low disclosure score, Shoprite showed their efforts

regarding the use of recycled material for their products in five of the years (2014 to 2018), compared to Pick n Pay which did this over four years and Spar and Clicks, only one year. They were also the only company to declare that development would not be undertaken if it was detrimental to the bio-physical or built surroundings. This declaration was only made in 2009. Clicks was the next lowest scorer with 11 criteria presented for two years or less and Spar with nine criteria. The areas where both Spar and Clicks gave more information was regarding their scope 1, 2 and 3 greenhouse gas emissions and their waste disposal, indicating how much had been recycled for the year. Pick n Pay was the highest scorer, although they still had four criteria that were only presented for two years or less. One measure that was not presented by Pick n Pay related to scope 3 greenhouse gas emissions that both Spar and Clicks presented well. High disclosures were found relating to reductions of greenhouse gas emissions (eight years), the reduction of energy consumption (seven years) and water withdrawal by source (seven years). Pick n Pay were also the only company within the four that declared an energy-intensive ratio (presented for six years).

## **5.5 CONCLUSIONS AND RECOMMENDATIONS**

A literature review revealed that studies on sustainability reporting have grown over the last few years. Several studies focused on South Africa, but the food and drug retail sector was particularly unexplored. Further to this, studies were performed within a relatively short time frame and focussed on either extent or quality of reporting using a dichotomous scoring technique, with only three studies comparing scoring techniques. This article's objective was to examine integrated reports of four companies listed in the JSE food and drug retail sector to evaluate the degree of sustainability reporting in line with the GRI framework over a ten-year period (2009 to 2018). A dichotomous and Likert scale scoring technique was used to arrive at conclusions on the GRI framework's degree of application (quality) within the integrated report. One limitation present, due to the nature of the methodology applied to the study, was that bias could be introduced due to subjective judgement. This risk was mitigated using a rules-based framework (GRI) to score against, by scoring in a short turnaround time and through results culminating in high Cronbach alpha scores.

The findings have produced similar results to that in the literature reviewed. The Likert scoring technique was found to produce significantly lower results than the dichotomous scoring technique. This result is consistent with findings from three studies found in the literature: one

study on South African JSE listed companies from 2011 to 2013 (Haji and Anifowose, 2016) and two on Indian companies listed on the National Stock Exchange from 2009 to 2014 (Laskar and Maji, 2016) and 2014 (Aggarwal and Singh, 2019). This difference shows that all four companies have produced integrated reports with a low degree of quality in application of the GRI framework. Overall sustainability scores for three of the four companies have increased (Clicks being the exception), and Pick n Pay showed the highest scores on average. Overall scores were dissected further into four dimensions within the GRI framework. It was found that the general dimension contributed the most to the overall score, followed by the economic, social and environmental dimensions. These results align with findings for 32 companies listed on the Indonesian stock exchange from 2006 to 2009 (Burhan and Rahmanti, 2012) and 142 companies listed on the JSE in 2009 and 2011 (Kosovic and Patel, 2013).

Within the integrated reports, it was noted that 45 of the 136 criteria (one-third) were not applied by any of the four companies, ten from the general dimension, three from the economic dimension, 18 from the social dimension and 14 from the environmental dimension. This, together with the indication of low-quality reporting, challenges the question as to whether the compilation of sustainability information within integrated reports has been treated as a box-ticking exercise, as suggested by Haji and Anifowose (2016), rather than being company specific. It also raises the question as to whether the generic nature of the GRI guidelines has resulted in the non-disclosure of such items and if an industry-specific guideline such as those published by the SASB would be more appropriate to follow. It is recommended that future research be conducted in this area through interviews or questionnaires aimed at those involved in producing the integrated report. Such analyses could also add to the understanding of the preparation of integrated reports.

Other authors such as Aggarwal and Singh (2019), Azzam et al. (2020), Beck, Frost and Jones (2018) and Laskar and Maji (2016) have expanded studies of sustainability reporting extent and/or quality to conclude on the effect that the degree of reporting has on profitability. It is suggested that this study could be built upon in the same manner through regression analysis. This study could also be repeated for other sectors to arrive at a cross-industry analysis or replicated using different standards to measure sustainability reporting and contrast them to the GRI framework results.

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## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

This thesis is a Doctor of Business Administration by publication. As such, the thesis comprises an introductory chapter and four chapters (excluding this chapter), each being a stand-alone article. Each stand-alone article contains its own conclusions and recommendations (Sections 2.5, 3.5, 4.5 and 5.5). The purpose of this chapter is to provide a synthesis of these conclusions relating to the problem statement and objectives identified for the thesis as a whole (refer to Sections 1.3 and 1.4).

An overview of the literature was performed and four areas were identified in which further research was considered to be useful and informative to add to the existing body of knowledge. The four areas provided the foundation from which the four main research objectives emerged. These areas were as follows: organisational strategy and purpose; the absence of a tool for stakeholders to use containing both company purpose and profitability in a single setting; the practical impact of the development of sustainability and integrated reporting; and the quantity and quality of sustainability information within integrated reports given the indication that a company should produce at least one integrated document. South Africa was identified as a country of interest. As the Johannesburg Securities Exchange (JSE) is the only securities exchange in South Africa and has over 350 companies listed on the exchange, a single sector was selected as the population for the study. The selected sector, food and drug retail, was found to be particularly unexplored in the literature, and only contained essential service companies that would be well-known and were well-represented in the JSE Top 100 and Top 40.

The four research areas culminated in the overall aim of the thesis, which is to examine annual integrated reports of JSE-listed companies in the food and drug retail sector to reach conclusions on both financial performance and the prominence of corporate sustainability reporting therein. Four major objectives were established:

1. To use content analyses of integrated reports to identify the purpose of a company;

2. To create an analysis technique in which company purpose and financial performance (depicted through profitability) can be portrayed concurrently to stakeholders;
3. To explore the development of integrated reporting; and
4. To quantify and analyse the degree of sustainability reporting within integrated reports.

Being a stand-alone article, each chapter aimed to achieve one of the four major objectives. It was first confirmed through a content analysis of integrated reports that annual integrated reports presented the Entity Maximisation and Sustainability (EMS) Model as the company's purpose (Chapter Two). An analysis technique named the purpose-profitability pentagon analysis was created, so that company purpose and financial performance (depicted through profitability) could be portrayed concurrently to stakeholders (Chapter Three). The development of integrated reporting was then explored by examining, comparing and contrasting identified trends in the composition of published annual integrated reports. A key finding was that sustainability information had increased (Chapter Four). Lastly, the amount of sustainability information was quantified to analyse the degree of sustainability reporting within the annual integrated reports (Chapter Five).

The study's research design was a descriptive, exploratory case study with a longitudinal design that employed interpretive content analysis. The content analysis technique employed a combination of qualitative and quantitative research methods. Data was analysed over a ten-year period (2009 to 2018), except in Chapter Two, Gregory and Chasomeris (2016), where the analysis period was five years (2010 to 2014). The content analysis methodology approach differed between each article. Chapters Two and Three used word frequencies, Chapter Four used page numbers, and Chapter Five used scoring indices. Chapter Three added to the methodology with ratio analysis.

This chapter provides conclusions and a synthesis of the four stand-alone articles. It proceeds as follows: Section 6.2 presents the main findings and conclusions of each research objective, Section 6.3 discusses the study's contribution, and Section 6.4 offers recommendations for areas of future research.

## **6.2 SUMMARY OF FINDINGS AND RESULTS**

The purpose of the study was divided into four objectives that the researcher sought to achieve. The findings and contributions to each of the objectives are explained below.

### **6.2.1 Objective one: To use content analyses of integrated reports to identify the purpose of a company**

Objective one was achieved in Chapter Two. This chapter is a published article by Gregory and Chasomeris (2016) entitled *JSE Listed companies in the food and drug retail sector: A content analysis of financial statements to determine their primary purpose*. The article performed a content analysis of the integrated reports for companies within the food and drug retail sector over a five-year period (2010 to 2014) and found that all four companies had considered sustainability, but, whilst considering each of the six major stakeholders, each company considered them to different extents.

Spar's long-term goal was to sustain the group whilst concentrating on key stakeholders. The content analysis showed that their main concentration appeared to be on employees. The focus was not solely on shareholder wealth or general stakeholder wealth, eliminating the Neoclassical and Conscious Capitalism (CC) theories. As attention was instead given to ensuring that the company was sustained, it was concluded that Spar's prevailing purpose was closest to the Entity Maximisation and Sustainability (EMS) Model.

Pick n Pay was found to focus strongly on the group's sustainability. This was highlighted by management emphasising that without a certain extent of concentration on stakeholders and their involvement, Pick n Pay would not be sustainable in the long term. The content analysis revealed Pick n Pay's passionate attention to its customers through a differentiation strategy involving its brand and loyalty programme. As with Spar, the Neoclassical and CC theories were eliminated as the focus entailed ensuring the company was sustained. Pick n Pay's prevailing purpose was therefore concluded to be the closest to the EMS Model.

Shoprite believed that their company's objective could not only be to make profits, thus rejecting the Neoclassical Theory. Their 2013 annual report substantiated this belief by stating that the rationale for forming any business would be to make a profit but that this could not happen in isolation. The content analysis revealed an emphasis on offering customers low-cost solutions. These solutions grew the customer base and helped the business remain sustainable. The focus on sustainability resulted in the conclusion that Shoprite's prevailing purpose was closest to the EMS Model.

Clicks demonstrated a strong shareholder focus showing how their value has been created and increased year-on-year and how returns had been generated for them. Other stakeholders were,

however, not ignored. This was confirmed by a strong focus on employees identified through the content analysis. Clicks' emphasis was found to be not simply to make profits but rather to make these profits and sustain the group for the long term. Following this focus would ensure that profits continued to be achieved and distributed to their shareholders. The overall emphasis was found to be sustaining the company, and therefore it was concluded that Clicks' prevailing purpose was closest to the EMS Model.

Each of the four entities within the food and drug retail sector of the JSE demonstrated evidence of following the EMS Model instead of the Neoclassical or CC Model. The content analysis revealed that their approach to EMS varied with a different stakeholder focus. Pick n Pay and Shoprite focussed more on customers (although the former through differentiation and the latter through a low-cost strategy), while Spar concentrated on employees and Clicks focussed on shareholders.

### **6.2.2 Objective two: To create an analysis technique in which company purpose and financial performance (depicted through profitability) can be portrayed concurrently to stakeholders**

Findings from Chapter Two, coupled with literature revealing that profitability is a key goal of companies and is of great interest to stakeholders for decision-making, formed the basis of objective two. This objective was achieved in Chapter Three through an article by Gregory and Chasomeris entitled *JSE Food and drug retail sector: A purpose-profitability pentagon analysis*. The paper expanded the Chapter Two study from a five-year analysis to a ten-year analysis and added a ratio analysis to create the analysis technique referred to as the purpose-profitability pentagon.

The expanded ten-year content analysis confirmed that the EMS Model was being applied by all four companies listed in the food and drug retail sector. Each of the four companies focussed on a different stakeholder: Clicks's focus was on shareholders, Shoprite's on customers through a low-cost strategy, Spar's on employees, and Pick n Pay's on customers through a differentiation strategy. These results were consistent with the five-year analysis in Chapter Two, Gregory and Chasomeris (2016). The results were then built upon by analysing and ranking five profitability ratios.

The output of the study was a summarised profitability table that was converted into a spider diagram that presented both company purpose and profitability (performance) in a single

setting (refer to Table 3.4 and Figure 3.1). This technique has been named the purpose-profitability pentagon. The profitability ranking (derived from the ratio analyses) is the basis of the pentagon, with each side representing a single profitability ratio, and the legend summarises the company's purpose (as derived through the content analysis). The larger the area the company covers in the diagram, the greater the profitability. The diagram also lists the companies in rank order in the legend so that the overall ranking is clear to the user should any companies have close results. When the technique was applied to the food and drug retail sector, and it was identified that Clicks, following the EMS approach with a shareholder focus, displayed the greatest profitability. Shoprite followed this company, following the EMS approach with a customer focus through a low-cost strategy and Spar following the EMS approach with an employee focus. Pick n Pay showed the lowest profitability and was found to follow the EMS approach with a customer focussed differentiation strategy.

### **6.2.3 Objective three: To explore the development of integrated reporting**

With the EMS approach prevalent in the food and drug retail sector, the thesis then delved into how this information was reported. Objective three was achieved through an article by Gregory (2023) entitled *Integrated report content evolution: A case study of the JSE food and drug retail sector*. The paper applied qualitative and quantitative content analysis to explore the development of integrated reporting by examining, comparing and contrasting trends in the composition of published annual integrated reports over a ten-year period (2009 to 2018).

The content analysis showed a change in the composition of the annual integrated reports (AIRs) for each of the four companies listed in the food and drug retail sector over the period from 2009 to 2018. The change in composition took the form of less annual financial statements, increased governance information and increased strategy and sustainability information. The general trend identified was that page numbers increased, reached a peak and then began to decrease. The finding that page numbers began to decline was consistent with PWC (2014) and du Toit, van Zyl and Schütte (2017), who indicated that AIRs were becoming less cluttered as shown by a decrease in their volume.

Although the first trend identified was that less annual financial statements were presented, it was found that the AIR explained the results instead. These explanations were with reference to the complete financial statements on the companies' websites. In these years, the AIR either presented summarised financial statement information or, in the case of Clicks in the years

2015 to 2018, only explained the results. Other instances where users were referred to the company website were identified for Pick n Pay, Spar and Clicks. Pick n Pay disclosed a number of their governance reports online for 2016, 2017 and 2018 and moved their notice of Annual General Meeting (AGM) and proxy forms to the investor relations section of their website. Spar published abridged AIRs in 2017 and 2018, referring users to their website for more information. Similar to Pick n Pay, Clicks also moved their notice of AGM and proxy forms online. This shift in referring users to their websites adds to the findings of Nel (2019), who confirmed that companies refer readers of AIRs to corporate websites for additional information, but Nel's sample did not examine the situation in the JSE food and drug retail sector.

The other two changes in the AIR presentation, namely increased governance information and increased strategy and sustainability information, coincided with the release of certain integrated reporting developments. These introductions could have spurred the modification in the presentation. The increase in governance information was found to be due to an increase in remuneration reports. King IV contains more definitive and stringent remuneration report requirements, and the increases coincided with the financial years that King IV had begun being implemented by each company. The increase in strategy information arose at the time of the release and application of the International Integrated Reporting Council (IIRC) framework, where emphasis was placed on disclosing the company's strategic focus and linking this to future prospects. These disclosures were primarily on the business model, risks and opportunities and strategy and resource allocation. The increase in sustainability information arose at the time when the Global Reporting Institute (GRI) guidelines were updated. The final finding coincided with the introduction of new legislation in South Africa, the new Companies Act. All four companies presented their new memorandum of incorporation, although Clicks presented a summary and referred readers to their website for the full version, and all four formed a social and ethics committee.

The findings suggest that the companies have embraced new reporting initiatives and that their AIRs have developed according to the latest reporting initiatives.

#### **6.2.4 Objective four: To quantify and analyse the degree of sustainability reporting in integrated reports**

Following objective three, where it was concluded that sustainability information had increased, it was relevant to quantify the extent and quality of this information and analyse these findings accordingly. This last objective was achieved through an article by Gregory entitled *An analysis of sustainability reporting of JSE listed companies in the food and drug retail sector*. The paper used quantitative content analysis to calculate sustainability indices to analyse the degree of sustainability reporting in integrated reports over a ten-year period (2009 to 2018). Both dichotomous and Likert scale techniques were used to arrive at the sustainability indices based on the GRI framework, and these results were compared and contrasted.

Lower results were arrived at using the Likert scoring technique relative to the dichotomous scoring technique. The result corresponded to three older studies: Haji and Anifowose (2016) on South African JSE limited companies from 2011 to 2013, Laskar and Maji (2016) on Indian companies listed on the National Stock Exchange from 2009 to 2014, and Aggarwal and Singh (2019) on Indian companies listed on the National Stock Exchange in 2014. The study provides updated results relative to South Africa. The difference in results using the two scoring techniques demonstrated that all four companies produced integrated reports with a low degree of quality in applying the GRI framework. Although this was so, three of the four companies (Clicks was the exception) showed increasing sustainability scores, with Pick n Pay achieving the highest on average. This overall score was analysed further according to the four dimensions within the GRI framework: general, economic, social and environmental.

The general dimension contributed the most to the overall score. This was not only because it had the largest number of criteria, counting 43.38% towards the overall score, but also because of the nature of the presentation requirements. Items commonly available in an AIR formed part of the presentation criteria as well as governance information that was confirmed as increasing by Gregory (2023). The subsequent best-scoring division was the economic dimension. The social dimension was the third-best scoring dimension, where 52.94% of the social criteria were not applied by any of the four companies. The lowest scoring dimension was the environmental dimension. This result was not surprising as the food and drug retail sector is not environmentally sensitive and, as such, was unlikely to disclose a volume of environmental information. These results also corresponded to a couple of older studies and

thus updated the findings for South Africa. The first of these two studies analysed 32 companies listed on the Indonesian stock exchange from 2006 to 2009 (Burhan and Rahmanti, 2012). The second analysed 142 companies listed on the JSE in 2009 and 2011 (Kosovic and Patel, 2013).

A significant finding from the more in-depth analysis of the dimensions revealed that 45 of the 136 criteria (one-third) were not applied by any of the four companies. Ten criteria were from the general dimension, three from the economic dimension, 18 from the social dimension and 14 from the environmental dimension. This finding, coupled with the result of low-quality reporting, challenges the suggestion by Haji and Anifowose (2016) that the compilation of sustainability information within the integrated reports has been treated as a box-ticking exercise. It would be expected that the scores would have yielded higher results if such an exercise was taking place. A further question arising from the research is whether the generic nature of the GRI guidelines has resulted in non-disclosure and therefore culminated in lower scores. Should this be the case, an industry-specific guideline, such as those published by the Sustainability Accounting Standards Board (SASB), would likely be more appropriate to follow.

#### **6.2.5 Overall purpose: Conclusions on financial performance and the prominence of corporate sustainability reporting therein**

Each of the four articles and their findings has contributed to the overall research purpose of examining integrated reports of JSE companies listed in the food and drug retail sector to conclude on financial performance and the prominence of corporate sustainability reporting therein. Profitability was used as a proxy for financial performance. The examination over the ten-year period from 2009 to 2018 has concluded that sustainability was practised by such companies (as they followed the EMS approach) with differing stakeholder focus. There has been a shift in the types of information presented in the integrated reports. Still, the in-depth analysis of the degree of sustainability within these reports has shown that this shift is not very large. Three of the four companies (Clicks being the exclusion) increased their degree of sustainability reporting information in their integrated reports. Despite this increase, it was found that one-third of the GRI framework principles had not been applied by any of the four companies, and the degree of application of the other principles was low. All four companies were profitable over the ten-year period from 2009 to 2018, with Clicks performing best, followed by Shoprite, Spar and Pick n Pay.

### 6.3 CONTRIBUTION OF THE STUDY

The problem statement in Section 1.3 of this thesis outlined four research areas where the research gaps were identified. This statement highlighted the need for the study in each of these areas and exposed the relevance of the South African context. The literature reviewed before and during the study revealed that the food and drug retail sector remained particularly unexplored. This sector contains only well-known essential service companies with a considerable representation in the JSE Top 100 and Top 40 and thus formed the base population for the study.

Each article in this thesis has contributed to filling this gap through an in-depth analysis over a ten-year period (except Chapter Two, Gregory and Chasomeris (2016) where a five-year period was applied). Section 6.2 has outlined the findings from each article relative to the four major objectives that originated based on the four research gaps. Although the findings are descriptive in nature (due to being a descriptive case study), these findings may be considered useful and informative. They therefore add to the existing body of knowledge and provide a basis for future research. The studies followed a methodology that has resulted in an overall comprehensive foundational study that can be replicated and applied to other sectors, providing the opportunity for a cross-case synthesis envisaged by Yin (2009) to expand the research base further. The study has further contributed by creating the purpose-profitability pentagon analysis technique, a valuable tool to summarise thousands of pages of information contained in integrated reports into a single diagram to aid decision-making.

In addition to the value this Doctor of Business Administration has contributed to the research base on sustainability and sustainability reporting within integrated reports, two papers have been successfully published, namely Chapter Two – Gregory and Chasomeris (2016) and Chapter Four – Gregory (2023). Gregory and Chasomeris (2016) has a research interest score of 6.6 on researchgate.net, has over 2 000 reads and has been cited by the following authors:

- Khadi, T. 2020. *The Impact of Economic Factors on the Share Price of JSE Listed Retail Companies*. Master of Commerce, University of Johannesburg.
- Naicker, Y. 2019. *A content analysis of financial statements to determine the primary purpose of JSE listed companies in the mobile telecommunications sector*. Master of Business Administration, University of KwaZulu-Natal.

- Ramautar, N. 2017. *An analysis of annual integrated reports to determine the corporate objective of companies focussed on the apparel retail sector in South Africa*. Master of Business Administration, University of KwaZulu-Natal.
- Roberts, G. E. 2022. *Conscious Capitalism from a Christian Worldview Lens. The Spirit of Conscious Capitalism*. Springer.

The citations of the theses by Ramautar (2017) and Naicker (2019) illustrate that the technique applied in this thesis has already been used in other industries. These studies can be combined with Gregory and Chasomeris (2016) to begin a cross-case synthesis as envisaged by Yin (2009) where multiple case studies are present. The cross-case synthesis would be to compare findings across the industries analysed, in this case, the food and drug sector (Gregory and Chasomeris, 2016), the mobile telecommunications sector (Naicker, 2019) and the apparel retail sector (Ramautar, 2017).

#### **6.4 RECOMMENDATIONS FOR FUTURE RESEARCH**

Section 6.3 has highlighted that, although the findings from each article were descriptive, they provide a basis for future research. This section aims to indicate some of these future research areas that have been identified.

The first area where future research is recommended is in relation to the fundamental limitation that the findings of each of the four studies are not generalisable. The study population was one sector on the JSE and the nature of the research gives rise to findings that only apply to this sector. Despite this, the methodology within all four articles, outlined in Section 1.5, has resulted in each article being a comprehensive foundational study that can be applied to other sectors. Where further studies are conducted, these can be compared and contrasted to the food and drug sector studies to expand the research base further through a cross-case synthesis. Therefore, the studies should be replicated using other sectors within the JSE listing to perform cross-case synthesis. A further recommendation is to conduct similar research using international security exchanges to provide a further cross-case synthesis according to country. It should be noted that Section 6.3 has already shown two studies that have replicated the methodology of Gregory and Chasomeris (2016) for the apparel retail sector (Ramautar, 2017) and the mobile telecommunications sector (Naicker, 2019) that can be used as a starting point for this recommended future research in relation to this study.

Chapter Three devised a purpose-profitability pentagon that is expected to assist users with decision-making. Whilst the objective of the purpose-profitability pentagon is to summarise the content analysis on company purpose and the profitability ratio analysis, the tool can function as a profitability pentagon only. In this instance, the tool can be used to analyse the profitability across many companies. It is recommended that this tool be used by analysts who can apply it to other sectors and companies across different sectors. The analysis technique would aid these analysts to swiftly establish which entity has the greater profitability. Computer programming could also be used to commercialise the technique, either as the purpose-profitability pentagon or the profitability pentagon. Investment information websites such as Moneyweb could then allow a user to select several companies over a period, and the relevant pentagon could be automatically drawn up for the user to scrutinise further.

Chapter Three limited the financial performance analysis to profitability. Future research could be conducted to determine whether the analysis tool could be expanded to include other financial performance indicators, such as Tobin's Q and market-related indicators of performance. Further to this, a value-added intellectual capital analysis would add value through the expansion of the current analysis tool to incorporate an analysis on both the financial and non-financial performance sphere.

Chapters Four and Five reference the update of King III to King IV and the philosophical change from the "apply or explain" basis to the "apply and explain" basis. Chapter Four touches on the impact of this change on the level of disclosure in the annual integrated report, particularly concerning the governance section and the remuneration report. However, this finding is a mere surface scrape in relation to the overall impact this change has had on corporate reporting. Therefore, it is recommended that this change's full impact be researched further.

Further to the above, both Chapter Four and Chapter Five challenge the suggestion by Haji and Anifowose (2016) that the compilation of the annual integrated reports has been done as a box-ticking exercise rather than a company-specific one. It is recommended that future research in this area be conducted through an interview or questionnaire aimed at those involved in drafting these corporate reports. Chapter Five further questions whether the lower scores that were found arose due to the generic nature of the GRI guidelines and whether industry-specific guidelines might be more appropriate. It is recommended that this be added to a study that

conducts interviews or distributes a questionnaire to enhance the analysis mentioned above. Such analyses could also add to further understanding the preparation of integrated reports.

The last area of future research suggested is to explore what effect the degree of sustainability reporting has on profitability. It is recommended that this study could be built upon in the same manner through regression analysis. This study could also be repeated for other sectors to arrive at a cross-industry analysis or replicated using different standards to measure sustainability reporting and contrast them to the GRI framework results. Both recommended approaches would culminate in a further cross-case synthesis.

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## APPENDIX A

### SCORING INDEX

0 – not presented			
1 – minimal information presented and not in line with the framework but within the topic sphere			
2 – many points not addressed			
3 – some points not addressed			
4 – few points not addressed			
5 – all points addressed			
<b><u>GRI framework – A total of 136 criteria</u></b>			
GRI reference	Name of indicator	Description of indicator requirements	Score
<b><u>General (59 criteria)</u></b>			
<i>Organisational profile</i>			
102-1	Name of organisation	Who is the organisation?	
102-2	Activities, brands, products and services	Describe what activities the entity does, include what brands, products and services are provided and if such items are banned in certain markets.	
102-3	Location of headquarters	Where is head office?	
102-4	Location of operations	Which countries, how many countries?	
102-5	Ownership and legal form	What is the nature of ownership, what legal form does the entity take on?	
102-6	Markets served	Who are the customers: geographic location, what sector (private/public), types (companies, individuals etc.)?	
102-7	Scale of the organisation	Number of employees, operations, net sales, capitalisation (debt and equity), ownership details (i.e. Largest shareholders), breakdown of key things per region (maybe segmental report).	

102-8	Employees and other workers	Number of employees divided between permanent and temporary, by gender, by region, full time versus part time, outsourcing (what activities if significant).	
102-9	Supply chain	Describe, what are main elements of the supply chain?	
102-10	Changes to organisation or supply chain	Have there been any changes? E.g. Change in organisational structure - shutdown or opening of locations, change in capital structure - more debt, issue of shares, change in suppliers.	
102-11	Precautionary Principle or approach	Is the precautionary approach applied and how?	
102-12	External initiatives	What external initiatives are supported (e.g. there is an organisation that has been formed to do a specific task and the company supports its views, supports them by donation)?	
102-13	Membership of associations	What associations are they members of (e.g. an audit company being a member of IRBA)?	
<i>Strategy</i>			
102-14	Senior decision-maker statement	What is the relevance of sustainability and strategy of organisation with regards to sustainability (usually from CEO, chairman of the board etc.)	
102-15	Key impacts, risks and opportunities	Key impacts, risks and opportunities described in a sustainability context.	
<i>Ethics and integrity</i>			
102-16	Values, principles, standards and norms of behaviour	Values, principles, standards and norms of behaviour: What are they, how are they developed and enforced?	
102-17	Mechanisms for advice and concerns about ethics	Internal and external mechanisms for advice about ethics and reporting unethical behaviour.	

<i>Governance</i>			
102-18	Governance structure	What committees are in place, especially for economic, environmental and social decision making?	
102-19	Delegating authority	What is the process of authority delegation with regards to economic, environmental and social decision making (from top down to employees)?	
102-20	Executive-level responsibility	Has someone been appointed at an executive level to oversee economic, environmental and social topics?	
102-21	Consulting stakeholders	What is the process for consultation with stakeholders on economic, environmental and social topics (if delegated, to whom)?	
102-22	Composition of highest governance body and its committees	What are the committees and who are the members? Executive vs non-executive, independence, other positions / commitments, gender, competencies etc.	
102-23	Chair of the highest governance body	Who is the chair? Executive or non-executive, if executive, what function in management?	
102-24	Nominating and selecting the highest governance body	Nomination and selection processes and criteria for body.	
102-25	Conflicts of interest	Process to ensure conflicts are avoided, are these disclosed to stakeholders: cross-board membership, cross-shareholding, controlling shareholder, related party disclosure.	
102-26	Role of highest governance body in setting purpose, values and strategy	What is the role of highest governance body in setting purpose, values / mission statements and strategy (specifically related to economic, environmental and social topics)?	
102-27	Collective knowledge of highest governance body	Measures taken to develop and enhance knowledge on economic, environmental and social topics.	

102-28	Evaluating the highest governance body's performance	How is body's performance evaluated? Independent or not, how often, is there self-assessment, what actions are taken in response to the evaluation?	
102-29	Identifying and managing economic, environmental and social impacts	What is the highest governance body's role in identifying and managing economic, environmental and social impacts, is stakeholder consultation used as a support?	
102-30	Effectiveness of risk management processes	What is the highest governance body's role in reviewing the effectiveness of the organisations risk management processes for economic, environmental and social topics?	
102-31	Review of economic, environmental and social topics	How often are the topics, their impacts, risks and opportunities reviewed?	
102-32	Highest governance body's role in sustainability reporting	Who formally reviews and approves the sustainability report?	
102-33	Communicating critical concerns	What is the process for communicating a critical concern?	
102-34	Nature and total number of critical concerns	How many critical concerns communicated, what about and how were they addressed / resolved?	
102-35	Remuneration policies	What are policies for the board (fixed, variable pay, performance based, equity based, bonus, termination payments, clawbacks, sign on bonus, retirement benefits)? How performance criteria relate to economic, environmental and social topics?	
102-36	Process for determining remuneration	What is the process to determine board remuneration, are consultants involved, independent?	

102-37	Stakeholders' involvement in remuneration	How are stakeholder's views sought and taken into account?	
102-38	Annual total compensation ratio	Ratio - Highest paid per country : median annual total compensation for all employees in that country.	
102-39	Percentage increase in annual total compensation ratio	% increase of ratio from prior year to current year of ratio calculated in 102-38.	
<i>Stakeholder engagement</i>			
102-40	Stakeholder groups	List stakeholder groups engaged by the organisation.	
102-41	Collective bargaining agreements	% of employees covered by collective bargaining agreements.	
102-42	Identifying and selecting stakeholders	What basis is used to identify and select stakeholders with which to engage?	
102-43	Approach to stakeholder engagement	What approach is taken to engage with stakeholders, how often, how are they engaged?	
102-44	Key topics and concerns raised	What has been raised through stakeholder engagement, how have we responded, which stakeholder group raised?	
<i>Reporting practice</i>			
102-45	Entities included in the consolidated financial statements	List all entities included in the AFS and whether they are covered by the sustainability report.	
102-46	Defining report content and topic boundaries	Explanation of process for defining the report content and how reporting principles have been implemented.	
102-47	List of material topics	List of material topics identified.	
102-48	Restatements of information	Effect of any restatements from previous reports and reasons for restatements.	
102-49	Changes in reporting	Significant changes in material topics and boundaries if any.	

102-50	Reporting period	What is the reporting period for information provided?	
102-51	Date of most recent report	Date of the most recent previous report (if applicable).	
102-52	Reporting cycle	What is the reporting cycle, i.e. annual / biennial?	
102-53	Contact point for questions regarding the report	Who to contact or where to direct queries on the report and its contents?	
102-54	Claims of reporting in accordance with GRI standards	Do they claim to report according to GRI standards, if so, is the statement included in the report?	
<i>Management approach</i>			
103-1	Explanation of the material topic and boundary	For each material topic listed per 102-47, why is it material and what is its boundary (i.e. where does it occur)?	
103-2	Management approach and its components	For each material topic, how is the topic managed (i.e. policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms)?	
103-3	Evaluation of management approach	How is the approach evaluated (per material topic)? Mechanisms, results of evaluation, adjustments as a result of the results.	
<b><u>Economic (13 criteria)</u></b>			
<i>Economic performance</i>			
201-1	Direct economic value generated and distributed	3 components: generation (revenue), distribution (operating costs, wages, dividends, interest, taxes), retention (generation - distribution). By country/region/market if significant (segmental report).	
201-2	Financial implications and other risks and opportunities due to climate change	Describe the risk (is it physical, regulatory, voluntary), its impact (nature) and resulting financial impact. How will it be managed, what costs are associated?	

201-3	Defined benefit plan obligations and other recruitment plans	If covered by general resources, value of liability. If separate fund, does the fund cover the entire liability (to what extent), when were estimates made. If not fully covered by separate fund, why, how work towards full coverage, timescale. % salary contributed by employer / employee. Level of participation (mandatory, voluntary).	
201-4	Financial assistance received from government	Value of financial assistance received (tax relief/credit, subsidies, grants, awards etc.). By country. Whether government is a shareholder.	
<i>Market presence</i>			
202-1	Ratios of standard entry wage by gender compared to local minimum wage	Provide ratio - entry level wage: minimum wage by gender per significant location.	
202-2	Proportion of senior management hired from the local community	% of senior management per location hired from local community (define senior management, define local, define significant location).	
<i>Indirect economic impacts</i>			
203-1	Infrastructure investments and services supported	Extent of development of infrastructure, current or expected impacts on communities (positive and negative). Type (commercial, in-kind or pro bone).	
203-2	Significant indirect economic impacts	Positive and negative, give examples of indirect economic impacts.	
<i>Procurement practices</i>			
204-1	Proportion of spending on local suppliers	% procurement budget spent on local suppliers (per location), definition of local, definition of significant location.	
<i>Anti-corruption</i>			
205-1	Operations assessed for risks related to corruption	Total number and % operations assessed for risk of corruption, what risks identified through the risk assessment.	

205-2	Communication and training about anti-corruption policies and procedures	Total number and % board, employees, business partners to which anti-corruption policies and procedures communicated, also % that received/receiving training.	
205-3	Confirmed incidents of corruption and actions taken	Total number confirmed incidents of corruption, were employees dismissed/disciplined, contracts with business partners terminated/not renewed. Legal cases of corruption brought against the organisation and outcomes.	
<i>Anti-competitive behaviour</i>			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Number of legal actions pending/completed regarding anti-competitive behaviour. Outcomes of completed legal actions (decisions/judgements).	
<b><u>Environmental (30 criteria)</u></b>			
<i>Materials</i>			
301-1	Materials used by weight or volume	Total weight/volume of materials used to produce and package primary products (non-renewable vs renewable).	
301-2	Recycled input materials used	% recycled input materials used to manufacture primary products.	
301-3	Reclaimed products and their packaging materials	% reclaimed products and packaging by product category, how data was collected.	
<i>Energy</i>			
302-1	Energy consumption within the organisation	Total fuel consumption - fuel types, renewable and non-renewable. Electricity consumption.	
302-2	Energy consumption outside of the organisation	Total energy used outside the organisation.	
302-3	Energy intensity	Energy intensity ratio (divide consumption by entity specific metric (e.g. energy consumed per store, per sqm). What types of energy included, what is the entity specific metric chosen?	

302-4	Reduction of energy consumption	Amount of energy consumption reduction achieved (what is base year/baseline).	
302-5	Reductions in energy requirements of products and services	Amount of energy consumption requirements of products and services reduction achieved (what is base year/baseline).	
<i>Water</i>			
303-1	Water withdrawal by source	Total volume of water withdrawn (surface, ground, rainwater, waste water, municipal).	
303-2	Water sources significantly affected by withdrawal of water	Total number of sources, size, nationally or internationally protected area, biodiversity value, value to local communities / indigenous people.	
303-3	Water recycled and reused	Volume water recycled and reused (including grey water), also as % of total usage (303-1).	
<i>Biodiversity</i>			
304-1	Operational sites owned, leased, managed in /adjacent to protected areas; areas of high biodiversity value outside protected areas	Geographic location of areas, position in relation to the protected area, type of operation, size of operation site, biodiversity value.	
304-2	Significant impacts of activities, products and services on biodiversity	Nature (construction/use of manufacturing plants/mines/transport infrastructure, pollution, introduction of invasive species, reduction of species, habitat conversion, changes in ecological processes. Direct/indirect positive and negative impacts (extent, duration, reversibility)	
304-3	Habitats protected or restored	Size, location of areas restored, if success is approved by independent expert, status.	
304-4	IUCN red list species and national conservation list species with habitats in areas affected by operations	List of those species affected: critically endangered, endangered, vulnerable, near threatened, least concern.	

<i>Emissions</i>			
305-1	Direct (Scope 1) GHG emissions	Green house gas emissions - give CO2 equivalent in metric tons (scope 1 emission).	
305-2	Energy indirect (Scope 2) GHG emissions	Green house gas emissions - give CO2 equivalent in metric tons (scope 2 emission).	
305-3	Other indirect (Scope 3) GHG emissions	Green house gas emissions - give CO2 equivalent in metric tons (scope 3 emission).	
305-4	GHG emissions intensity	Intensity ratio (GHG per sqm, GHG per store etc.), what is the organisation specific metric used. Types of GHG emissions included (i.e. scope 1, 2 or 3 or all).	
305-5	Reduction of GHG emissions	Has GHG emissions reduced, indicate what has aided the reduction.	
305-6	Emissions of ozone-depleting substances (ODS)	Amount of ODS from production, imports and exports in metric tons of CFC-11 (trichlorofluoromethane).	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Significant air emissions in kg (Nox, Sox, persistent organic pollutants, volatile organic compounds, hazardous air pollutants, particulate matter, other.	
<i>Effluents and waste</i>			
306-1	Water discharge by quality and destination	Volume planned/unplanned water discharges. Destination, quality, treatment method, whether reused.	
306-2	Waste by type and disposal method	Total weight by disposal methods (reuse, recycle, compost, recover, incineration, deep well injection, landfill, on-site storage, other) - divide hazardous and non-hazardous.	
306-3	Significant spills	Number and volume of spills (location, volume, material, impacts).	
306-4	Transport of hazardous waste	Total weight (transported, imported, exported, treated, % shipped internationally).	

306-5	Water bodies affected by water discharges and/or runoff	Size, if designated as nationally/internationally protected area, biodiversity value of water bodies affected.	
<i>Environmental compliance</i>			
307-1	Non-compliance with environmental laws and regulations	Fines, non-monetary sanctions for non-compliance (value, number of sanctions, cases brought through dispute resolution). Nothing identified – state.	
<i>Supplier environmental assessment</i>			
308-1	New suppliers that were screened using environmental criteria	% new suppliers screened using environmental criteria.	
308-2	Negative environmental impacts in the supply chain and action taken	Number suppliers assessed for environmental impacts, number identified as significant, potentially negative impact. % improvements agreed upon, % relationships terminated.	
<b><u>Social (34 criteria)</u></b>			
<i>Employment</i>			
401-1	New employee hires and employee turnover	Total number, rate of employee hires - age group, gender and region. Total number, rate of employee turnover - age group, gender and region.	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	List of benefits standard for full-time employees but not provided to temporary (e.g. life insurance, health care, retirement provisions, types of leave etc.).	
401-3	Parental leave	Number entitled to parental leave, number who took, number who returned to work after, number who stayed employed more than 12 months after, return to work and retention rates - all by gender.	

<i>Labour/Management relations</i>			
402-1	Minimum notice periods regarding operational changes	Minimum number of weeks' notice provided to employees prior to operational changes that could affect them, if collective bargaining, is this period specified in collective agreements.	
<i>Occupational health and safety</i>			
403-1	Workers representation in formal joint management-worker health and safety committees	What level does management-worker health and safety committee operate, % workers represented by committee.	
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Types of injury (minor/major), injury rate, occupational disease rate, lost day rate, absentee rate, work-related fatalities - all employees by region and gender.	
403-3	Workers with high incidence or high risk of diseases related to their occupation	Are there workers whose work has a high incidence or high risk of specific diseases?	
403-4	Health and safety topics covered in formal agreements with trade unions	Is there a formal agreement with trade unions that covers health and safety, if so to what extent?	
<i>Training and education</i>			
404-1	Average hours of training per year per employee	Average hours of training per year per employee - by gender and employee category.	
404-2	Programs for upgrading employee skills and transition assistance programs	Type, scope of programs implemented to upgrade employee skills and facilitate continued employability.	

404-3	Percentage of employees receiving regular performance and career development reviews	% total employees receiving regular performance and career development review - by gender and employee category.	
<i>Diversity and equal opportunity</i>			
405-1	Diversity of governance bodies and employees	% individuals in governance bodies: gender, age group, other indicators of diversity; % employees per employee category: gender, age group, other.	
405-2	Ratio of basic salary and remuneration of women to men	Ratio of basic salary and remuneration of women to men, by employee category.	
<i>Non-discrimination</i>			
406-1	Incidents of discrimination and corrective actions taken	Number of incidents and status (reviewed, remediation plans implemented, results from plans implemented, no longer actioned).	
<i>Freedom of association and collective bargaining</i>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Right violated or at significant risk: Type of operation and supplier, areas at risk (location); Measures taken to support rights.	
<i>Child labour</i>			
408-1	Operations and suppliers at significant risk for incidents of child labour	What operations: child labour, young workers exposed to hazardous work. Type of operation and supplier, areas at risk (location); Measures taken to contribute to effective abolition of child labour.	
<i>Forced or compulsory labour</i>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Type of operation and supplier, areas at risk (location); Measures taken to contribute to elimination of all forms of forced or compulsory labour.	

<i>Security practices</i>			
410-1	Security personnel trained in human rights policies or procedures	% security personnel received formal training, if third-party orgs providing security also required.	
<i>Rights of indigenous peoples</i>			
411-1	Incidents of violations involving rights of indigenous peoples	Number of incidents and status (reviewed, remediation plans implemented, results from plans implemented, no longer actioned).	
<i>Human Rights Assessment</i>			
412-1	Operations that have been subject to human rights reviews or impact assessments	Total number, % by country subjected to human rights review.	
412-2	Employee training on human rights policies or procedures	Total number of hours devoted to training; % employees trained.	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Total number and % (definition of significant investment agreements).	
<i>Local communities</i>			
413-1	Operations with local community engagement, impact assessments and development programs	% operations with implemented local community engagements.	
413-2	Operations with significant actual and potential negative impacts on local communities	Location and what impacts.	

<i>Supplier social assessment</i>			
414-1	New suppliers that were screened using social criteria	% new suppliers screened using social criteria.	
414-2	Negative social impacts in the supply chain and actions taken	Number suppliers assessed for social impacts, number identified as significant, potentially negative impact. % improvements agreed upon, % relationships terminated.	
<i>Public policy</i>			
415-1	Political contributions	Monetary value of financial and in-kind political contributions (direct or indirect) by country and recipient.	
<i>Customer health and safety</i>			
416-1	Assessment of the health and safety impacts of products and service categories	% product and service categories assessed for improvement.	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Total number incidents (resulting in fines, warning, voluntary code). None identified, state.	
<i>Marketing and labelling</i>			
417-1	Requirements for product and service information and labelling	Whether information is required for labelling (source, content, safe use, disposal). % product or service categories covered by procedures.	
417-2	Incidents of non-compliance concerning product and service information and labelling	Total number incidents (resulting in fines, warning, voluntary code). None identified, state.	

417-3	Incidents of non-compliance concerning marketing communications	Total number incidents (resulting in fines, warning, voluntary code). None identified, state.	
<i>Customer privacy</i>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Total number (complaints received from outside, complaints from regulatory bodies, leaks, thefts or losses of customer data. None identified, state.	
<i>Socioeconomic compliance</i>			
419-1	Non-compliance with laws and regulations in the social and economic area	Fines, non-monetary sanctions for non-compliance (value, number of sanctions, cases brought through dispute resolution). Nothing identified – state.	

Author compiled using Global Reporting Initiative (2016)

# APPENDIX B

## ETHICAL CLEARANCES

### Paper 1



5 February 2019

Mrs Vanessa Margaret Gregory 205501388  
Graduate School of Business and Leadership  
Westville Campus

Dear Mrs Gregory

Protocol reference number: HSS/0098/019D

Project title: JSE Listed companies in the food and drug retail sector: A content analysis of financial statements to determine their primary purpose

#### FULL APPROVAL – No Risk/Exemption Application

In response to your application received 5 February 2019, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.


Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

  
.....  
Dr Shamila Naidoo (Deputy Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

cc Supervisor: Dr Mihalls Chasomeris  
cc. Academic Leader Research: Professor M Hoque  
cc. School Administrator: Ms Zarina Bullyraj

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

## Paper 2



5 February 2019

Mrs Vanessa Margaret Gregory 205501388  
Graduate School of Business and Leadership  
Westville Campus

Dear Mrs Gregory

Protocol reference number: HSS/0100/019D  
Project title: JSE Food and Drug Retail Sector: A Purpose-Profitability Pentagon Analysis

### FULL APPROVAL – No Risk/Exemption Application

In response to your application received 5 February 2019, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Dr Shamila Naidoo (Deputy Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

cc Supervisor: Dr Mihalis Chasomeris  
cc. Academic Leader Research: Professor M Hoque  
cc. School Administrator: Ms Zarina Bullyraj

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Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

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## Paper 3



22 July 2022

**Vanessa Margaret Gregory (205501388)**  
Grad School of Bus & Leadership  
Westville Campus

Dear VM Gregory,

**Protocol reference number:** HSSREC/00002235/2020

**Project title:** Integrated report content evolution: A case study of the JSE food and drug retail sector

**Degree:** PhD

### Approval Notification – Expedited Application

This letter serves to notify you that your application received on 27 October 2020 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.**

This approval is valid until 22 July 2023.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,



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**Professor Dipane Hlalele (Chair)**

/dd

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#### Humanities and Social Sciences Research Ethics Committee

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Telephone: +27 (0)31 260 8350/4557/3587 Email: [hssrec@ukzn.ac.za](mailto:hssrec@ukzn.ac.za) Website: <http://research.ukzn.ac.za/Research-Ethics>

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**INSPIRING GREATNESS**

## Paper 4



5 February 2019

Mrs Vanessa Margaret Gregory 205501388  
Graduate School of Business and Leadership  
Westville Campus

Dear Mrs Gregory

Protocol reference number: HSS/0099/019D

Project title: An analysis of sustainability reporting of JSE Listed companies in the food and drug retail sector

**FULL APPROVAL – No Risk/Exemption Application**

In response to your application received 5 February 2019, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.


Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

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I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

  
.....  
Dr Shamila Naidoo (Deputy Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

cc Supervisor: Dr Mihalis Chasomeris  
cc. Academic Leader Research: Professor M Hoque  
cc. School Administrator: Ms Zarina Bullyraj

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Humanities & Social Sciences Research Ethics Committee

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## Full study (thesis)



13 September 2018

Mrs Vanessa Margaret Gregory (205501388)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mrs Gregory,

Protocol reference number: HSS/1271/018D

**Project title:** An evaluation of corporate sustainability and financial performance for JSE listed companies in the food and drug retail sector

### Full Approval – No Risk / Exempt Application

In response to your application received on 23 August 2018, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

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I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Professor Shenuka Singh (Chair)

/ms

cc Supervisor: Dr Mihalīs Chasomerīs  
cc Academic Leader Research: Professor Muhammad Hoque  
cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee  
Professor Shenuka Singh (Chair)/Dr Shamita Naidoo (Deputy Chair)  
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