PRACTICAL IMPLEMENTATION OF SUSTAINABILITY ACCOUNTING: A RESEARCH OF TWO MAJOR PUBLIC LISTED COMPANIES

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ABSTRACT

This research proposes the integration of social and environmental pillars into existing economic pillar towards modernizing mainstream financial accounting in line with 21st-century diverse stakeholders' sustainability needs. The identified research gap observes that 19th-century accounting no longer reflects an all-encompassing stakeholders' interest. Hence in this 2020 decade transforming the basis of accounting and reporting is a fundamental concern. This research thus provides an opportunity rarely considered for an all-inclusive sustainability accounting evoking a shift in accounting fundamentals, principles, standards and frameworks for stakeholders' holistic decision-making on enterprises going concern. The methodological approach adopted is an in-depth examination of two selected public listed companies' annual financial statements during the last three years to provide an insight on their extent of integration of social and environmental into financial accounting body. Both the literature review and this research findings reveal a low degree of commitment towards social and environmental sustainability in favor of disclosing economic activities mandated for listed companies. This validates formerly, now updated New Framework for seamless standardized assimilation of all three pillars in financial accounting. The practical implications contained in this research recommends a Framework for transitioning into a more-inclusive 21st-century sustainability accounting. The practical value is the contribution in transformation in accounting fundamentals to reflect the updated stakeholders' motivation.

Keywords: Sustainability, Sustainability Accounting, Triple Bottom Line, Economic, Social, Environmental Pillars, Corporate, Social and Environmental Reporting.

JEL Classification: G30, M40, M41

INTRODUCTION

This article aims at contributing in the process of overhauling the mainstream unsustainable financial accounting framework based on its 19th century origins making it more applicable to the needs of the 21st century stakeholders. Therefore this article presents the concept of sustainability accounting as a plausible and promising response for leveraging a transdisciplinary accounting approach to include socio and environmental pillars (Moratis & Melissen, 2019; Williams & Robinson, 2020). Thus examination of authentic disclosure of three pillars of sustainability within two major retail clothing companies in South Africa is undertaken.

This research provides an opportunity for revision of financial accounting fundamentals, principles, standards, procedures, policies and protocols to enable a diverse stakeholders to make decisions relating to enterprises abilities to increase value not only economically, but also socially and environmentally. The current basis of financial accounting is void of sustainability accounting in line with the current and future century needs (Benn, Dunphy, & Griffiths, 2006; Hinke, Gezo, Smutka, & Strielkowski, 2020). Therefore this research seeks to provide an alternative approach for furthering social and environmental sustainability, making the necessary transition, moving beyond the tried and tested accounting protocols that have proven inadequate for truly readjusting the course of the 21st century stakeholder to one deemed sustainable (Moratis & Melissen, 2019).

Sustainability in this research perspective is a philosophy that rests on the principles of the Triple Bottom Line (TBL) reporting namely the People, Profit and Planet (3ps) (Elkington, 1998). Therefore a gap exists for effecting a transformation to include social and environmental sustainability pillars proposed by Elkington, (1998) enshrined within the TBL, which is already long overdue.

Sustainability concept is related to Corporate Social Reporting (CSR), and Corporate Environmental Reporting (CER) under a unified umbrella of Corporate Social and Environmental Reporting (CSER) (Willard, 2002), as discussed in this research.

This article is comprised of the following seven sections: the first section provides the introduction and the problem statement. The second section is the literature review which provides recent research trends that examines the key concepts and provides the theoretical framework that guides this research. The third section focuses on the research methodology, while the fourth section presents the results and analysis. The fifth section presents the research interpretation and discussion. The sixth and seventh sections provides the conclusion followed by actionable recommendations respectively intended to improve sustainability reporting.

Problem Statement

Running enterprises sustainably has gained paramountcy during the last two decades because unsustainable corporate governance practices by companies such as Enron and Steinhoff among many others who sought to pursue short term profits at the expense of long term profitability has led to catastrophic rippling effects on the public at large (Rossouw & Styan, 2019; Matthew, 2020; Sahabbudin & Hadianto, 2020). Even though companies are not mandated to disclose their social and environmental sustainability initiatives, the King Reports make it necessary for all JSE listed companies to voluntarily disclose the extent to which they adhere to these two pillars in their annual financial statements (King IV, 2016).

Therefore, a gap exists compelling research to be undertaken on extent to which JSE listed companies disclose their environmental and social performance, which are not enforced by the Companies Act (Collier & Roberts, 2001; Panda, D'Souza, & Blankson, 2018). This research has elected to narrow down to two major retail clothing JSE listed companies in order to undertake and provide an in-depth meaningful report on corporate environmental and human-social practices.

Therefore this research seeks to make a contribution towards effecting changes on the current skeletal disclosure on the perceived burdensome social and environmental pillars for sustainable development nationally and globally.

Importance of Economic Pillar

The economic pillar also referred to as "financial sustainability" (Azarenkova, Golovko, & Abrosimova , 2018), is vital for optimum functioning of enterprises and because of its definite impact on a country's gross domestic product and ultimately sustainable development (King IV, 2016). In essence, the economic pillar protects and sustains an enterprise investors' capital seeking a return on investment (ROI) (King IV, 2016; Masocha, 2019). Thus in pursuit of economic performance, the social and environmental pillars inadvertently suffers as Collier & Roberts (2001:70) states, "the only ethical imperative at work here is a Friedmanesque dictum to pursue profit maximization."

Importance of Social Pillar

The social sustainability pillar entails issues such as employment, health and overall wellbeing of citizens and should not be undervalued because diverse stakeholders carries both positive and negative impacts on businesses and on the nation's well-being (Manning, Braam, & Reimsbach, 2019; Hinke, et al., 2020). The social pillar also known as CSR, is archetype of Social Responsible Investment (SRI) that impacts diverse stakeholders (Widyawati, 2020). In this case, Environmental, Social and Governance (ESG) metrics provide foundation of SRI a crucial proxy and enabler of sustainability performance (Widyawati, 2020), as observed in the proposed New Framework by Gachie, (2019). A review of literature reveals a significant persistent disconnection between formal research in economic, social and environmental themes, which this research seeks to contribute to their coherence.

Employment Equity and Broad Based Black Economic Empowerment (BBBEE)

The issue of BEE falls under the social pillar, whereby employment equity seeks to address issues of job creation, social reforms and poverty alleviation (King IV, 2016; Medina, 2019). However, BEE has been used by enterprises as a mere checklist for compliance to King Reports, hence the importance of research that contributes in this area.

Importance of Environmental Pillar

Contribution of environmental pillar cannot be undervalued due to the impact of human practices such as climate change, deforestation, energy production, settlement, pollution and waste (Manning, et al., 2019). Disasters such as Bhopal of 1984 and Exxon Valdez of 1989 have given a rise to lobby groups calling for mandated environmental and social disclosure (Global Reporting Initiative, 2019). In this essence, businesses that extracts and exploits resources wastefully and deplete unrenewable resources will no longer create products and services profitably. Therefore, this research examines companies' environmental activities and disclosure.

Do Social/Environmental Pillars/CSER improve financial performance?

Shane and Spicer (1983) notes that a business will assume social responsibility if it is profitable and not otherwise. Some researchers have found the existence of a strong relationship between CSER and the economic performance of a company (Shane & Spicer, 1983; Gachie, 2009). Therefore, this research is of the view that an enterprise that acts socially responsible is more likely to improve its financial performance and thus attract investors (De los Reyes Jr. & Scholzb, 2019; Moratis & Melissen, 2019). Furthermore, Willard (2002) identifies compelling benefits for implementing TBL which includes (i) ease in hiring; employee productivity; (ii) reduced costs; and (iii) customers retention (Willard, 2002).

Based on the research problem, this research seeks to examine authentic implementation of sustainability pillars within two selected major clothing companies. Based on this objective, the following research questions will be addressed;

1. To what extent do the two companies disclose their sustainability practices?
2. To what extent do the two companies comply with the King IV Report?
3. What generalizations and recommendations can be inferred for enhancing sustainability within the business sector in general?

LITERATURE REVIEW

Conceptual Framework

Sustainability

Sustainability is a triangular concept that encompasses the 3Ps or TBL philosophy (Elkington, 1998). “Sustainability” and “sustainable development” though closely related terms are not synonymous. For instance, CSR disclosure, is an important vehicle for poverty alleviation and sustainable development (Gachie 2015; Velte, 2017; Medina- Muñoz & Medina- Muñoz, 2020). Sustainability has a ripple effect on a nation’s sustainable development. The World Commission on Environment and Development (WCEDC, 1987) views sustainability ‘ensuring enterprise interests while enhancing current and future stakeholders’ concerns’. The GRI has been producing sustainability reporting guidelines for enterprise sustainability practices and disclosures (Global Reporting Initiative, 2019).

Considering enterprise three pillars of sustainability performance scores is a widely acceptable indicator in research (Rajesh & Rajendran, 2020; Widyawati, 2020). For instance, a positive connection in form of ESG scores find the present to the sustainability performances in enterprises (Rajesh & Rajendran, 2020). From this research perspective, sustainability performances are based on investigating the potential negative impacts of economic activities on the environment and positive impact on the nation’s social needs (Medina- Muñoz & Medina- Muñoz, 2020; Rajesh & Rajendran, 2020).

Research such Balatbat, Siew, and Carmichael (2013); Kocmanová and Docˇekalová (2013) and Wang and Sarkis (2013) has empirically proved ESG indicators of enterprises can positively influence economic performance.

Corporate Governance

Corporate Governance is a fundamental concept that incorporates the three pillars of sustainability among others, in form of “sustainable corporate governance” (Velte, 2017). Corporate governance is “the exercise of ethical and effective leadership…for effective control and legitimacy” (Solomon, 2013). A well-functioning governance system creates opportunities for competitive advantage while minimizing agency costs (Solomon, 2013; Sahabbudin & Hadianto, 2020). In South Africa, the King reports provide corporate governance and sustainability guidelines based on the ‘Apply or Explain’ principles (King IV, 2016). Sustainable corporate governance mechanisms should be well-planned to guarantee the needs of diverse stakeholders (Amorelli & García- Sánchez, 2020).

Business Ethics and Risk

This research proposes proactive management of ethics, value and risk all integral components of business sustainability in seeking a ROI in all the three pillars of sustainability. 'Business ethics is about fewer rules, more thought' observes Freeman & Greenwood, (2020).

Corporate Social Reporting and Corporate Social and Environmental Reporting

The objectives of CSR and CSER seeks to strengthen enterprise TBL reporting on sustainability (Solomon 2013). As such Carroll, (2004) offers a framework for enterprise accountability encompassing four dimensions namely, economic, legal, ethical, and philanthropic (Figure 1).

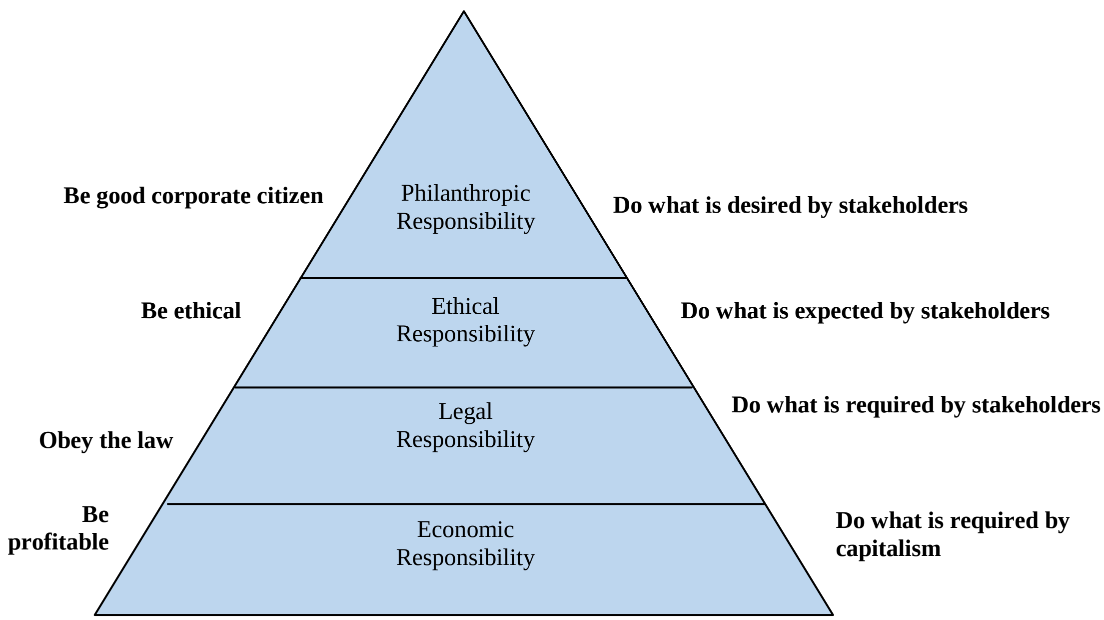

FIGURE 1
CORPORATE SOCIAL RESPONSIBILITY PYRAMID

(Adopted from Carroll 2004;116)

The CSR framework (Figure 1) calls for corporations to generate income while practicing good corporate citizenship (Carroll, 2004). The CSR disclosure addresses social issues such as inclusion of minority and previously disadvantaged groups like women in boards of directors based on their skills and experience (Amorelli, et al., 2020). Therefore, CSR in this research provides an opportunity to reduce dichotomy and improve equitable distribution of position and power for sustainable profitability.

The Three Pillars of Sustainability

The economic pillar has been regarded by enterprises as more paramount than social and environmental pillars (Solomon 2013; Gachie, 2019). Hence another significant reason for undertaking this research.

Economic Perspective

The purpose of starting a business is to make a profit (Silvius, 2014), for the benefit of shareholders through a balance in cost-benefit-quality, resource consumption, wealth creation and broader economic issues (Hallstedt, 2017; Stoner & Wankel, 2010; Freeman & Greenwood, 2020). Therefore effective utilization of environmental and social resources bears ripple effects on enterprises economic sustainability (Gachie, 2009; Silvius & Schipper, 2014). Economic pillar is a sub-set of human-social needs within a company, which in itself is a sub-set of the environmental needs as shown in Figure 2 adapted from Lal & Keen 2002).

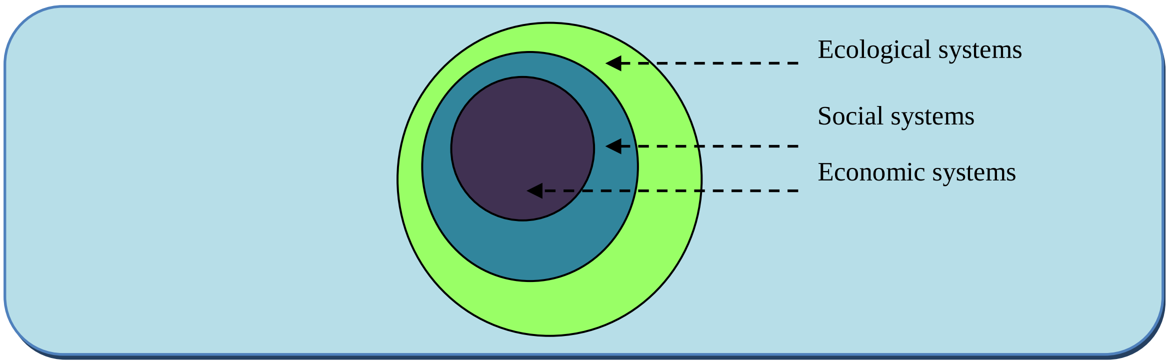

FIGURE 2
ECOLOGICAL, SOCIAL AND ECONOMIC SUBSYSTEMS
(Source: Adapted from Lal and Keen 2002:70)

Figure 2 shows that the economic pillar cannot be sustainable without consideration of the social and economic pillars. The effective utilization of environmental resources and social well-being will have a ripple on economic sustainability of a company (Gachie, 2009; Silvius & Schipper, 2014). In this research perspective, “financial sustainability assessment” is an important element of determining a company’s activities as a going concern (Azarenkova, Golovko, & Abrosimova , 2018).

Social Perspective

The social pillar also known as CSR, is a subset of CSER which seeks to distinguish a company’s specific social sustainability practices from its financial efforts (King IV, 2016). A company’s acting in a socially responsible manner is more likely to improve its financial performance and attract investors (De los Reyes Jr. & Scholzb, 2019; Moratis & Melissen, 2019). Corporate Social Investment (CSI) has been used in literature interchangeably with CSR to identify key internal and external stakeholders such as employees, trade unions, customers and suppliers all of which are valuable corporate assets (Gachie, 2015; King IV, 2016; Hallstedt, 2017). The importance of sustainability practices globally is documented throughout literature, for instance according to the United Nations (2018), 93% of the world’s 250 largest companies are now reporting on sustainability (United Nations, 2018).

Environmental Perspective

The environmental pillar also known as CER seeks to determine a company’s environmental conduct separate from its financial statement. Pure pursuit of economic goals has been responsible for the degradation of the environment globally (Elkington, 1998; Ullah, Lai, & Marjoribanks, 2013). Environmental reporting indicators include; procurement, water, energy, waste efficiency, travel, project reporting, pollution control, reuse and recycling, efficient use of materials, safety use of hazardous material and environmental education (Solomon, 2013; Ullah, et al, 2013 KPMG, 2019). However, it has been observed that several factors should be acknowledged that discourage environmental disclosure which include fear of exposure to competitors; absence of legal requirements; and profits outweighing environmentally responsible business (KPMG, 2019). Hence, the New Framework proposed in this research identified reporting indicators that seeks to motivate enterprise environmental disclosure for global sustainable development.

Theoretical Frameworks

This article examines stakeholder, agency and stewardship theories for in-depth comprehension of the three sustainability pillars.

Stakeholder Theory

The stakeholder theory views enterprises as having mutual agreement with their numerous stakeholders for interests they are persuaded to partake (Solomon, 2013). Freeman (1984) proposed the normative stakeholder theory later enriched by Friedman & Miles (2006) that seeks to incorporate enterprise accountability to a diverse stakeholders distinguished along the strategic, versus the normative dimension illustrated in Figure 3 (Friedman & Miles, 2006). In this research a stakeholder is ‘any naturally occurring entity which affects or is affected by an enterprise performance (Starik, 1994).

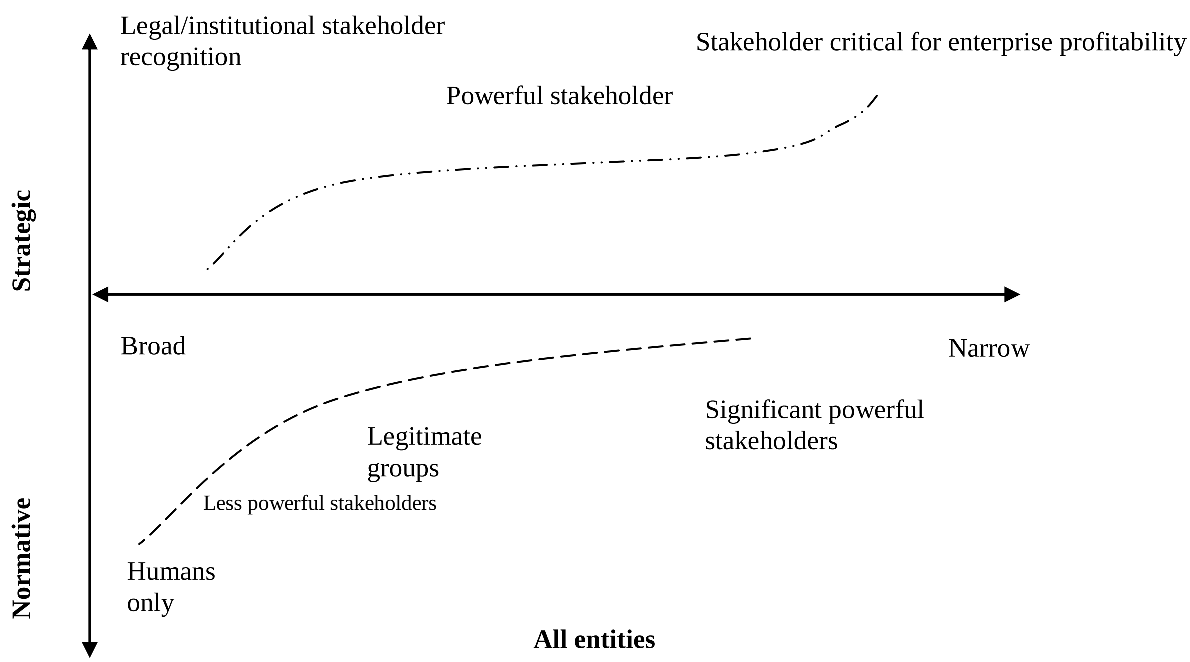

FIGURE 3

REPRESENTATION OF STAKEHOLDER DIMENSIONS

(Adopted from Friedman, & Miles, 2006; Gachie, 2019)

Figure 3 further confirms that stakeholders vary in degree of their impact on an enterprise. Hence the challenge and importance of balancing their needs through stakeholder engagement through surveys, interviews and public meetings for enterprise sustainability (Solomon, 2013).

Agency Theory

The agency theory rests upon the existence of a relationship between the principal, who delegates certain tasks and decisions to the agent on a fiduciary level (Eisenhardt, 1989). The theory demands the trustee acts and steers the corporation for the "best interest" of the investor or stakeholders (Solomon, 2013; Panda, et al., 2018).

Stewardship Theory

Critics of the agency theory have proposed the stewardship stance, observing the model of man as intrinsically motivated upon being a rational steward rather than egoistic, individualistic, self-serving behavior (Solomon, 2013; Masocha, 2019). Thus stewards faithfully seek to attain corporate objectives (sales, growth, and profitability) for investors' value (Solomon, 2013; King IV, 2016).

Proposed Framework

This article seeks to refine the New Proposed Framework developed in a previous project sustainability research in Gachie (2019) based on several metrics collated under each pillar for assessing, identifying and contributing to all levels of sustainability in an enterprise (Figure 4). This New Framework was necessitated by the tendency of most accounting models to lean on the economic pillar with few if any metrics on social and environmental pillars. Therefore, this Framework crucially assigns each pillar an equal importance for comparable assessment of enterprise sustainability performance nationally and globally. Hence, the New Framework (Figure 4) identifies crucial metrics for transformation of financial accounting to include social and environmental metrics in their policies and standards to meet the needs of the awakened 21st century stakeholder.

This article further seeks to incorporate social and environmental metrics into the New Framework also based on works of Benn, Dunphy, & Griffiths, (2006) illustrated in Table 1.

Table 1
SUSTAINABILITY PHASE FRAMEWORK

Human Sustainability	Ecological Sustainability
Phase 1: Rejection	
Employees regarded as a disposable resource to be exploited. No take responsibility for safety and future career prospects.	Environment regarded as a free good to be exploited. The organization does not modify its operations to lessen future economic degradation.
Phase 2: Non-Responsiveness	
Labor is viewed as a cost to be minimized. Human resource strategy and policy are ignored.	Environment not considered relevant for strategic decisions. Environment risks, costs and opportunities are seen as irrelevant.
Phase 3: Compliance	

Organization pursues benevolent paternalism with expectation of employee loyalty as risk reduction.	Senior management seeks to comply with environmental laws to minimize potential liabilities and litigation.
Phase 4: Efficiency	
Company establishes coherent HR system to reduce costs and increase efficiency.	Ecological issues generate costs aimed at reducing costs and increasing efficiencies.
Phase 5: Strategic Productivity	
Workforce skills and diversity are seen as important aspects of corporate and business strategies.	Proactive strategies supporting ecological sustainability are source of opportunities and competitive advantage.
Phase 6: The sustaining corporation	
Organization accepts responsibility for upgrading human knowledge and skills.	Organization actively promotes ecological sustainability values and seeks to influence key participants.

(Source: Modified from Benn, et al., 2006)

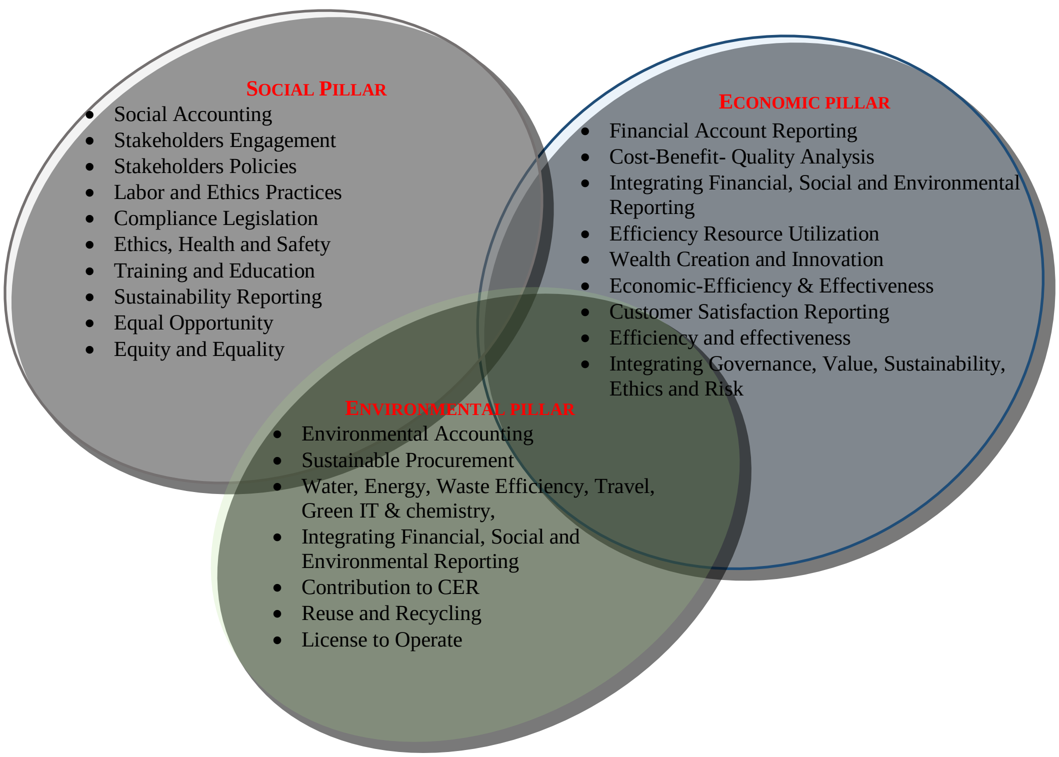

FIGURE 4
THREE PILLARS OF SUSTAINABILITY FRAMEWORK (BASED ON LITERATURE REVIEW METRICS)

Table 1 further reflects the paradigm shift taking place globally towards mandating the disclosure of social and environmental metrics in line with the new way of thinking and conducting business in 21st century financial accounting.

RESEARCH METHODOLOGY

This research is a case-study of two JSE listed companies (Company A and Company B) using publicly available financial statements data for the last 3 years (2018, 2017 and 2016) to compare their three pillars of sustainability. Other relevant supplementary publicly available data are analyzed qualitatively and quantitatively for in-depth comprehension of the companies' sustainability practices. This research adheres to ethical codes prescribed by University of KwaZulu-Natal and undertaken at an arm's length basis to minimize substantive biases that could distort the research outcome.

RESULT AND ANALYSIS

Results and Analysis: Economic Perspective

The results show Company A is a going concern in terms of economic pillar attributed to having over 80% of its sales in cash over the past 3 years (Table 2).

Table 2
ECONOMIC PERFORMANCE COMPANY A DURING THE LAST 3 YEARS

Indicators	Economic Performance		
Financial performance	**2018**	**2017**	**2016**
Profitability			
Comparable sales growth %	5.6	(3.6)	6.3
Gross margin (%)	43.3	38.8	40.6
Return on capital employed (%)	57.0	49.3	67.6
Liquidity ratios			
Current ratio	3.1	3.4	2.6
Solvency ratios			
Debt to Equity ratio	0.4	0.3	0.4
Share performance in cents			
Earnings per share in cents	1 100.1	911.4	1 057.8
Earnings Yield	3.9	5.7	6
Dividends per share in cents	693.1	667.0	667.0
Dividends Yield	2.4	4.2	3.8
Efficiency Ratios			
Asset Turnover Ratio	2,1	2,2	2,5

Table 2 further provides an assessment of profitability, solvency, liquidity, share performance of Company A, demonstrating efficient utilization of beneficiaries' investment by the agent. Company A has experienced sales growth in 2018 recovering from a sales slump in 2017 despite the markets of operations being weak and volatile (Table 2).

While the Company B is still a going concern profitability of the company has slumped, negatively affecting share performance and the enterprise is facing ongoing solvency and liquidity problems (Table 3). The poor performance can be linked to its lenient credit sales policy with an increasing Debt to Equity ratio which stands at 2,05 in 2018.

Table 3
ECONOMIC PERFORMANCE COMPANY B DURING THE LAST 3 YEARS

Indicators	Economic Performance		
	2018	**2017**	**2016**
Financial performance			
Comparable sales growth %	2.1	3.7	15.0
Gross profit margin from retail sales (%)	39.2	40.9	40.6
Return on capital employed (%)	13.7	15.1	16.8
Liquidity ratios			
Current ratio	1.22	1.12	1.04

Solvency ratios			
Debt to Equity ratio	2.05	1.36	1.54
Share performance in cents			
Earnings per share	(369.5)	454.2	337.3
Dividends per share	130.5	180	180
Efficiency ratios			
Asset Turnover Ratio	1.7	1.49	1.29

Company B's earnings per share was negative in 2018 and was unable to maintain the two yearlong dividends per share of 180 cents and 130.5 cents in 2017 and 2016 respectively (Table 3).

Results and Analysis: Social Perspective

Table 4 depicts Company A's CSR sustainability performance during the last 3 years.

Table 4
SOCIAL PERFORMANCE COMPANY A DURING THE LAST 3 YEARS

Indicators	**Social Performance**		
	2017	**2018**	**2019**
Labor Performance			
Investment in learning and development	R36 654 735	R37 288 003	R34 783 011
Total annual number of hours allocated to learning	218 388	200 623	232 437
Average learning and development days per person	1.4	1.4	1.8
BBBEE Level contributor status	8	8	7
Social Performance			
Group donation to MRP Foundation	R28 177 838	R22 259 933	R27 560 965
Number of learners benefitted from school programmes	50 409	36 395	65 236

Company A has high labor sustainability performance, consistent contributions towards BBBEE transformation investment rating shift from 8 in 2018 to better 7 in 2019 (Table 4).

The high investment in learning and development contributes towards developing employees' skills and social sustainability. Strong governance, financial controls, monitoring and evaluation ensures visibility of programme deliverables.

Company B social sustainability pillar performance during the last 3 years indicates a stable social performance (Table 5). The enterprise complies with BEE and BBBEE holding on to a level 6 consistently.

Table 5
SOCIAL SUSTAINABILITY PILLAR COMPANY B DURING THE LAST 3 YEARS

Indicators	**Labor Performance**		
	2018	**2017**	**2016**
Labor performance			
Investment in learning and development	R113,7 million	R116 million	R101 million
BBBEE Level contributor status	6	6	6
% positive response to WSA employee engagement survey	74%		
Social performance			
Social contribution across the Group geographies	R817 million	R757 million	R693 million
Tax payments which invest in county of operation – Sub-Saharan Africa	R876 million	R745 million	

Tax payments – Australia and New Zealand	A$13 million	A$93 million	
Capital investments – Sub-Saharan Africa	R1.1 billion	R1.2 billion	
Capital investments – Australia and New Zealand	A$150 million	A$132 million	

The results indicate a steady social sustainability performance of Company B contribution to the countries it operates which is better than that of Company A.

Result and Analysis: Environmental Perspective

Table 6 depicts Company A's environmental sustainability efforts in the last 3 years, illustrating a steady CER plan.

Table 6
ENVIRONMENTAL PERFORMANCE COMPANY A DURING THE LAST 3 YEARS

Indicators	Environmental Performance		
	2018	**2017**	**2016**
Carbon Footprint (Tonnes of CO_2)	121 016	121 999	127 304
Electricity consumed (Million Kwh in South Africa)	118.7	116.6	122.2

Table 6 reveals Company A is concerned with becoming increasingly environmentally sustainable through decreased electricity consumption and a lower carbon footprint. In response to this global issue Company A has reduced its relative carbon footprint by a notable 983 tons from 121 999 tons of CO_2 in 2017 to 121 016 tons of CO_2 in 2018. Table 7 depicts Company B's environmental performance in the last 3 years as far as CER is concerned further environmental performance has then been provided in the discussion.

Table 7
ENVIRONMENTAL PERFORMANCE COMPANY B DURING THE LAST 3 YEARS

Indicators	Environmental Performance		
	2018	2017	2016
Better Cotton Initiative (BCI), % of cotton products supporting sustainable farming practices	66%	64%	31%

Table 7 indicates advancement in CER performance in Company B through resource efficiency and utilization of local produce and products sourced from sustainable sources.

In general, though Company A has implemented various CER initiatives, Company B has gone further to source raw materials from sustainable sources. Therefore, Company A has room for improvement in sourcing raw materials from sustainable sources.

Result and Analysis: Corporate Governance

Table 8 an overview of Company A's Corporate Governance, shows 72% increase in CEO's salary despite facing turbulent times. The funds should have been utilized to meet shareholder's performance expectations as South African market has been weak and volatile.

Table 8
OVERVIEW COMPANY A CORPORATE GOVERNANCE

Category	No of shareholders	%	Number of shares	%
Pension funds	333	1.52	67 352 924	26.23

Unit Trusts/ Mutual Funds	510	2.32	90 672 812	35.31
Nominee companies and corporate bodies	20 834	94.81	76 834 930	29.92
Individuals and trusts	289	1.31	15 975 945	6.22
Staff share schemes	9	0.04	5 959 116	2.32
Total	**21 975**	**100**	**256 795 727**	**100**

Company A's board comprises of balanced mix of executives and of the non-executive's independent board and a uniform mix of both gender and race among with various qualifications of skills and diversity. The board's adheres to King IV governance and sustainability principles.

Company B's Board maintains a mix of skills and diversity of demographics in directors and has set targets for race and diversity at 40% in 2019 having achieved a composition of 33% in 2018. The Board has satisfactorily made effort to "apply or explain" all material aspects of King IV where appropriate and relevant.

Result and Analysis: Business Ethics and Risk

The financial statements indicate that the directors actively practice ethical leadership and act with integrity, competence, responsibility, accountability, fairness and transparency, all key contributors to achieving a tangible ethical culture within the company. Company A continues to develop its governance policies, practices and procedures in line with an integrated governance, business ethics, and risk and compliance framework.

Result and Analysis Based on New Proposed Framework

The following four levels of sustainability (Figure 5) have been identified to determine the degree to which all three sustainability pillars are incorporated in this research for the final New proposed Framework towards implementing the TBL philosophy. First level-compliant, shows areas of subliminal complying with principles of sustainability. Second level-reactive, displays areas where sustainability pillars principles are applied for explicit purpose of only reducing the negative impacts on enterprises profitability. Third level-proactive, reveals areas where sustainability pillars principles are integrated more unambiguously for diverse stakeholder benefit. *Fourth and final level-strategic* illustrates areas where by enterprises fully embraces and integrate the three pillars of sustainability meeting the needs of diverse stakeholders.

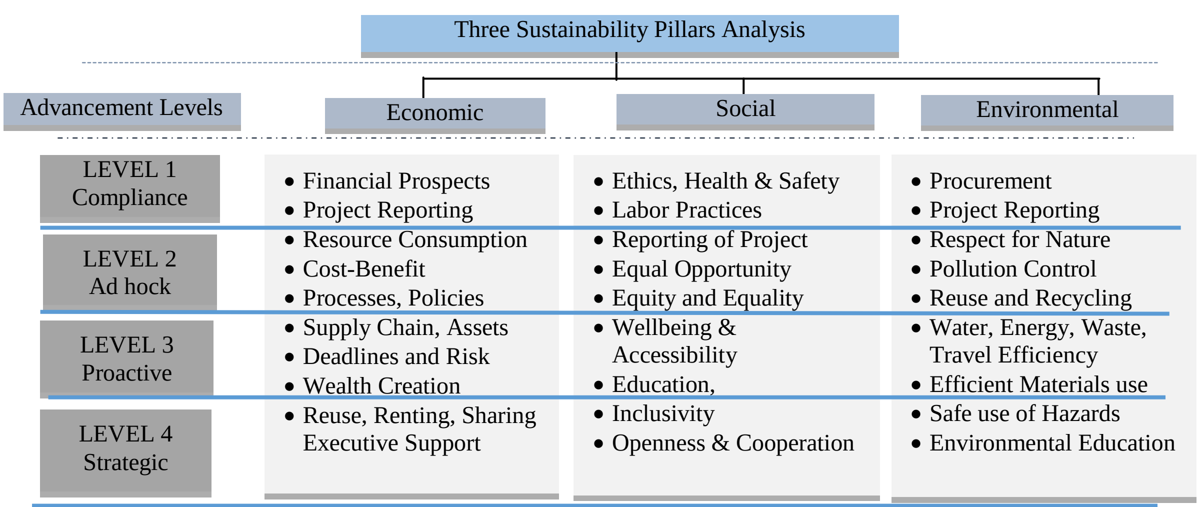

FIGURE 5
IDENTIFIED SUSTAINABILITY ADVANCEMENT LEVELS

Application of the four levels (Figure 5), in two participating enterprises, displays an ad-hock application of majority of the metrics especially on social and environmental pillars while according higher priority on the economic metrics. The final New Framework illustrated in the next Figure 6, forms part of the recommendation, which is the cumulative work of all the other preceding Tables and Figures contained in this research.

DISCUSSION

The research results have shown that the three sustainability pillars have not been accorded the same priority in both companies, which serves to confirm the literature review. In all the financial statements, the economic pillar was demonstrably well addressed to a higher extent than the social and environmental pillars. The preferential treatment of the economic pillar as supported by the literature review goes against the TBL philosophy of balancing sustainability is once again recognized in this research.

Each pillar should stand alone apart from the other; but more than that, they are interrelated and should all be accorded priority within the annual financial statements. The issue of reporting the 3Ps, profit, people and planet makes a compelling business strategy for the current and future sustainability.

The result metrics have outlined business benefits which include economic efficiency minimizes costs, greater responsiveness to volatile markets, better risk management, improved quality of products which results in more profits, technological advancement, strong share performance and enhanced shareholder value and increased profitability. The results have shown that social efficiency has a positive effect on employee motivation and productivity, enhanced intellectual and innovation capital, market advantages for distinguishing brands based on sustainability, customer loyalty, lower costs of capital, new product processes and services employees productivity. Environmental efficiency results in an increase in productivity, new products, licenses to operate by lobby groups, reduced costs of compliance, efficiency, speedy obtaining permits and licenses, enhanced reputation with diverse stakeholders, regulators and the government, and product quality certification and sustainable profits which are created sustainably over the years to come.

Despite the lack of uniformity in the annual financial reports, this research was able to establish that the practical application of the three pillars of sustainability in the two retail clothing companies still has a way to go especially with regard to social and environmental sustainability practices. Similarly the presence of a diverse board of directors have actively influenced and played a role in the board in relation to the promotion of CSR and CER.

CONCLUSION

Based upon the results, this article makes the following conclusions according to the research questions.

1. **To what extent have the two companies disclosed their sustainability practices?**

The two participating enterprises have provided useful publicly available annual reports with regard to the economic pillar. However, the social and environmental sustainability pillars are not clearly outlined in the annual report making it difficult for stakeholders to make informed decisions. This can be attributed to the deficiency in clear-cut standard in International Financial Reporting Standards (IFRS), in US GAAP, GRI or in King IV Code principles. Therefore the annual trends are not comparable with respect to social and environmental sustainability.

2. To what extent do the two companies comply with the King IV Report?

Even though there is still much work to be done, all is not lost as the latest 2018 reports have shown that the two enterprises are on the road to complying with the King IV Code principles of "apply or explain". However, Company B can be said to have a good CSER profile in line with its philosophy.

3. What generalizations and recommendations can be drawn for enhancing sustainability within the business sector in general?

The two enterprises have faced similar economic challenges because the weak and volatile South African market and political uncertainty has negatively contributed to falling consumer confidence index. However, Company A has responded better to these challenges, demonstrating an increased profitability and share performance than Company B.

RECOMMENDATIONS

This research recommends the following based on the research results and conclusion: Adopt the final New Framework proposed in Figure 6.

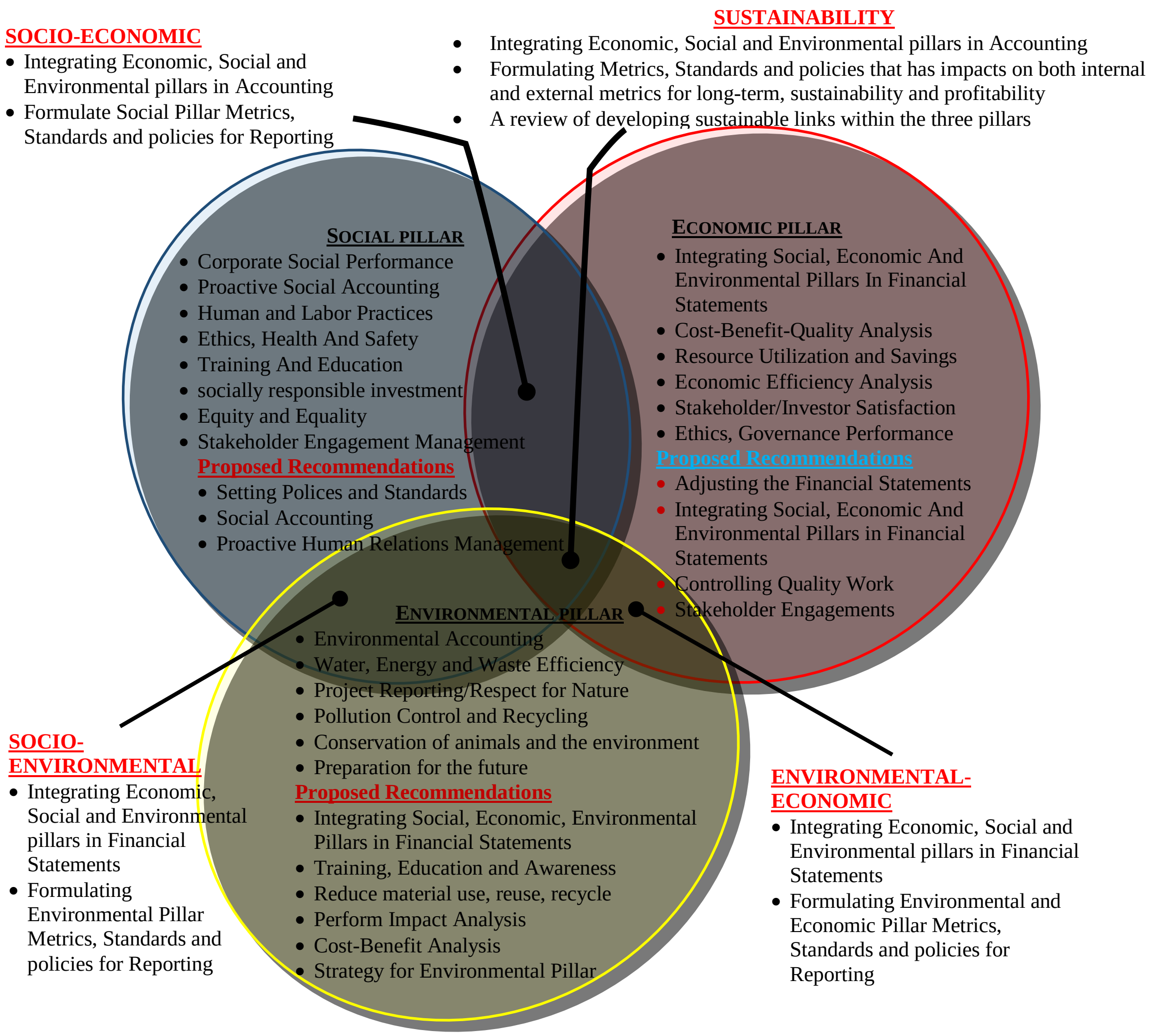

FIGURE 6
FINAL PROPOSED NEW FRAMEWORK

(Developed for this research using a variety of metrics)

This Framework will serve as a checklist for identifying, complying, embracing and integrating all the three pillars of sustainability into the annual financial statement.

Conduct Internal and External Corporate Assessment Regularly in all Three Pillars of Sustainability. This should be undertaken to maximize profit while taking consideration for the needs of current and future generations as proposed by the WCEDC, 1987.

Adhere to Disclosure Principles in all the Three Sustainability Pillars. This should be seek to address and cater for the needs (economic, social and environmental) of diverse stakeholders for a purpose which they are persuaded to share in line to scholars such as Elkington, 1998 and Solomon, 2013.

Integrate CSR in Financial Accounting. This should aim at promoting diverse stakeholder engagement who have a direct and indirect stake on a company’s going concern as shown in literature such as (Carroll, 2004; Amorelli & García- Sánchez, 2020).

Integrate CER in Financial Accounting. This should aim at fully integrating CER in the annual financial reports contributing to cleaner environment that caters for the current and future generations.

Conduct an Overhaul in Financial Accounting. Accounting bodies should collectively formulate and equally integrate principles and standards on all the three pillars of sustainability. This should be conducted in accordance to the needs of 21st century diverse stakeholders enabling them to make pertinent decisions that increase their value not only economically, but socially and environmentally in alignment with the literature review such as Azarenkova et al. (2018); Freeman & Greenwood, (2020). This will legitimize the legislating of the social and environmental pillars achieving a transition from existing outdated financial accounting approach into an all-inclusive accounting as observed in the literature review.

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