Implications of the distinct or interchangeable use of the terms 'ESG' and 'sustainability' on reporting by global banks

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Abstract
ESG (environmental, social and governance) and sustainability are increasingly common terms, often used interchangeably, though they have distinct meanings. This study examined the similarities and differences between ESG and sustainability disclosures in banks, focusing on whether banks acknowledged the distinction between these terms in 2019 and 2021 and how this affects reporting practices. A sample of 25 banks from South Africa, Japan, the United Kingdom, the United States, and France were analysed, as these countries use both integrated and sustainability reporting. Interpretative content analysis revealed that banks do not differentiate between ESG and sustainability. This lack of distinction is reinforced by authoritative frameworks and standards, resulting in combined reporting of ESG and sustainability matters. Consequently, disclosures related to ESG and sustainability are found together in more than one report, with shared purposes, target audiences, and materiality definitions across both types of reporting.

Introduction

The need for businesses to report on both the impact of environmental, social and governance (ESG) aspects on the internal business environment and the sustainability impact of the business on the external environment in which it operates has been heightened (Adams and Abhayawansa, 2022). This need has been evidenced through the development of the concept of double materiality and the challenge of ESG scores to include the impact of entities on their external environments (Danisman, 2022; Krull, 2022). Banks have an important role in reporting on the impact of external factors on their operations and the impact of their operations on the external environment. The role is heightened due to banks having a dual responsibility to report on their operations and the operations of the clients and corporations which they fund (Arun *et al.*, 2021). As such, ESG and sustainability considerations and the subsequent reporting are crucial to banks. Sustainability is related to the impact of a business on its external environment, whilst ESG is attributed to the impact of the external environment on a business (Adams and Abhayawansa, 2022; Krull, 2022). Although such a distinction has been made, some businesses use the terms interchangeably (London Stock Exchange Group (LSE), 2021). How an entity views the terms 'ESG' and 'sustainability' impacts the type of reporting used for the purpose, materiality definition, and target audience of the report used to disclose ESG matters or sustainability matters, which impacts the content included in the report.

This study investigates the impact of the interchangeable or distinct use of the terms 'ESG' and 'sustainability' on the reports produced by banks. The research objectives include investigating whether one or more reports are used to report on ESG and sustainability matters and each report's purpose and target audience. Reports published by the top five banks in South Africa, Japan, the United Kingdom (UK), the United States (US) and France have indicated the presence of integrated reporting and sustainability reporting and, as such, have been selected as part of the sample of this research. The 2019 and 2021 reports containing ESG and sustainability disclosures for each bank have been analysed through a content analysis. The reports were also analysed for the definition of materiality and the process of determining materiality in each report.

The findings indicate that the banks studied do not distinguish between the terms 'ESG' and 'sustainability' and use the terms interchangeably. As a result, ESG matters and sustainability matters were disclosed in the same reports. Consequently, (where these were disclosed) the target audience and the purpose of the reports analysed were not determined by whether the disclosures were classified as being ESG disclosures or sustainability disclosures. Additionally, a significant number of the reports did not contain disclosures on the factors taken into account by the banks in determining material ESG matters and sustainability matters.

Literature Review

Sustainability and ESG

Sustainability, often associated with corporate responsibility and socially responsible investing, has varied meanings depending on context. Its roots trace back to the United Nations' (UN) 1987 "Global Agenda for Change," emphasising the need to balance present needs with those of future generations (UN, 1987). Key factors for sustainability reporting include social, environmental, and economic impacts, encapsulated in the "triple bottom line" of people, planet, and profit (Thomsen, 2013).

ESG, formally introduced in a 2004 UN report, involves integrating environmental, social, and governance factors into business models (Lim *et al.*, 2022). While it helps enhance transparency for investors, it primarily addresses the financial impacts of these factors on companies rather than their broader societal effects (Gillan *et al.*, 2021). The main distinction between ESG and sustainability lies in their focus: ESG is often investor-centric, while sustainability emphasises a broader stakeholder impact. This difference raises concerns about the comprehensiveness of ESG reporting in capturing the full societal implications of corporate actions (Krull, 2022).

Sustainability Reporting and ESG Reporting

Sustainability reporting emerged as a response to the limitations of financial statements, emphasising both quantitative and qualitative measures of organisational success and presenting a balanced view of how an entity's performance can be sustained over time (Galamadien, 2011). Various reporting formats exist, driven by the report's purpose and target audience, leading to the development of multiple standards and frameworks, including the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), to name a few (LSE, 2020). While some sustainability reporting is voluntary, others are mandatory, and reporting practices can vary significantly even among similar companies (Kundid & Rogošić, 2016). The GRI defines sustainability reporting as measuring and disclosing organisational performance in relation to UN Sustainable Development Goals (SDGs) (GRI, 2022). Benefits of such reporting include enhanced corporate reputation and improved stakeholder relationships (Johannesburg Stock Exchange (JSE), 2022). However, criticisms suggest that sustainability reporting often promotes positive results, sometimes resulting in greenwashing (Herbert & Graham, 2018). This highlights the need for a comprehensive framework that integrates financial and non-financial information, leading to discussions on the potential of integrated reporting as a solution (Lisene, 2015).

ESG matters can be communicated in various ways, either as standalone ESG reports or integrated within a company's integrated report. The International Integrated Reporting Council (IIRC) significantly advanced integrated reporting, with the IIRC being formed in 2010 to develop a globally accepted framework for value-creation communication. This led to the publication of the International Integrated Reporting Framework in 2013, which was later revised to address aspects such as business models, reporting quality, and value preservation (IIRC, 2021).

Integrated reporting is based on principles such as strategic focus, connectivity of information, and stakeholder engagement, and it highlights how six types of capital—financial, manufactured, intellectual, human, social and relationship, and natural —create long-term value. Materiality, the principle guiding what is included, and conciseness are key to determining how much information from sustainability reports is incorporated into integrated reports (IIRC, 2021). Integrated reports aim to demonstrate the link between ESG practices and financial performance (Busco *et al.*, 2013). However, while integrated reporting has gained traction, particularly in South Africa, where it is mandatory, adoption has been uneven in other countries (Ching, 2020).

ESG and sustainability matters are reported in different formats depending on the purpose and audience. ESG issues are often communicated via integrated reports or ESG reports, while sustainability matters typically appear in sustainability reports or are included within integrated reports (Bal and Dhal, 2019). A key debate is whether ESG and sustainability should be integrated into one report or presented separately (Pitchot, 2020). Studies suggest that companies producing integrated and sustainability reports deliver higher-quality reporting (Malola and Maroun, 2019). Differences in these reports relate to target audiences, materiality, regulation, and industry-specific factors (Atağan, 2017; Pitchot, 2020).

ESG reporting practices and sustainability reporting practices in various countries

In the international landscape, ESG and sustainability reporting practices differ across countries due to the mandatory and optional ways of reporting on ESG and sustainability matters. Additionally, standard setters have introduced standards and frameworks to suggest a uniform and more comprehensive manner to disclose ESG and sustainability information. The various manners of disclosures and presentation will be based on countries' legislation and common practices. The following sections focus on the ESG and sustainability reporting practices in South Africa, Japan, France, the UK, and the US. The selection of these countries is based on the presence of ESG and sustainability disclosures being made in the countries, as indicated in the study by Clayton et al. (2015).

The King IV report, published in 2016, is the fourth in a series of corporate governance guidelines in South Africa. King III, introduced in 2009, stressed the integration of strategy, governance, performance, and sustainability in reporting (Marx and Mohammadali-Haji, 2014). This led to the rise of integrated reporting, and the Integrated Reporting Committee of South Africa was formed in 2010 to guide such reports (Clayton *et al.*, 2015). King IV continued the focus, emphasising corporate citizenship and societal and environmental accountability. The report advocates using international standards, like GRI, for sustainability disclosures, aiming for high levels of transparency and governance in corporate reporting (Lou, 2021). The Johannesburg Stock Exchange (JSE) guidelines note that the terms 'sustainability' and 'ESG' have different meanings, depending on the context in which the terms are used (JSE, 2022). As a result, reports on sustainability and ESG matters are grouped into one of three categories of the types of reports provided: annual integrated reports, sustainability/ESG reports and annual financial statements (JSE, 2022). JSE-listed companies largely choose to use the annual integrated report to report on enterprise value to providers of financial capital and the sustainability report to provide information on the entity's sustainability impacts to all applicable stakeholders (JSE, 2022).

The Japan Exchange Group's *Practical Handbook for ESG Disclosure* highlights that ESG is a component of sustainability reporting. The Japanese Corporate Governance Code, implemented in 2015 and revised in 2018, requires listed companies to address environmental, social, and sustainability issues. While ESG disclosures are voluntary, they are often included in integrated, sustainability, or environmental reports. The handbook advises companies to tailor their disclosures to their industry, business model, strategy, and target audience. It also notes that different institutions define materiality differently, and companies should consider these varying contexts when reporting. The application of these guidelines remains voluntary (Japan Exchange Group, 2020).

The Euronext *ESG Reporting Guide* for the Paris Stock Exchange notes that while ESG is part of sustainability, it distinguishes between ESG investors, socially responsible investors, and impact investors. Reporting on these matters is often voluntary and can appear in annual, sustainability, or integrated reports (Euronext, 2022). However, sustainability reporting in France became mandatory under legislation like the New Economic Regulation Act, which requires listed companies to disclose social and environmental impacts in annual reports. The Grenelle Acts (2009 and 2010) further mandated Corporate Social Responsibility (CSR) reporting (Kaya, 2016). Companies are advised to consider double materiality, following European Commission guidelines. Mandatory European Union (EU) sustainability standards are forthcoming (Euronext, 2022).

The London Stock Exchange (LSE) guidance, *Your Guide to ESG Reporting*, does not mandate specific terms like 'ESG' or 'sustainability', as many companies use terms such as "corporate responsibility" or "corporate social responsibility" for their ESG strategies. Key UK legislation, including the Corporate

Governance Code, the Modern Slavery Act, and the Companies Act 2006, encourages sustainability and ESG disclosures. While global frameworks like the GRI Standards, UN Global Compact, and TCFD are recommended, adherence is voluntary. Companies may report ESG issues through annual, sustainability, or integrated reports and are advised to consider materiality in line with international standards and peer reports (LSE, 2020).

Sustainability reporting in the US is primarily voluntary. The New York Stock Exchange (NYSE) highlights increasing focus on ESG and sustainability, noting that ESG is part of sustainability. Companies may use global frameworks like GRI, SASB and TCFD for ESG disclosures, which are recommended to be included in annual reports. While the NYSE aligns with the concept of double materiality, this is only a recommendation. Companies are encouraged to consider the views of key stakeholders when determining materiality in their reporting (New York Stock Exchange, 2022).

The role of banks and the importance of banks' ESG and sustainability disclosures

Banks play a crucial role in implementing sustainability and ESG practices, owing to their dual responsibility. First, they must adopt sound ESG and sustainability practices within their operations. Second, as key financiers, banks must consider the ESG and sustainability practices of the companies they fund (Arun *et al.*, 2021). By serving as intermediaries, banks influence other industries, linking their sustainability strategies to core business, social, and environmental issues. Their financing also supports sustainability projects (Zimmermann, 2019). Thus, banks must provide clear ESG and sustainability-related disclosures as businesses and financial capital providers (Buallay *et al.*, 2021).

The concept of "sustainable banking" underscores the need for banks to assess their operations' direct and indirect impacts. This includes energy efficiency, employment conditions, and the broader effects of their products and services (Galamadien, 2011).

Research indicates that many banks initially resisted producing sustainability reports, with significant change following the 2008 financial crisis. Before the crisis, banks showed little interest in CSR, but CSR reporting became vital in regaining public trust afterwards (Matemane and Wentzel, 2019). As a result, the adoption of sustainability reporting in the banking sector occurred later than in other industries (Lou, 2021).

Theoretical Framework: Stakeholder Theory

Lakhani and Herbert (2022) identify three main theories supporting ESG and sustainability reporting: stakeholder theory, agency theory, and legitimacy theory, with stakeholder theory being the focus of this study. Freeman's stakeholder theory asserts that companies should consider all stakeholders in their decisions and operations, emphasising that value creation is a collaborative effort between businesses and their stakeholders (Freeman, 1984). This theory advocates creating value for all stakeholders and integrating ethical considerations into business decisions rather than focusing solely on profit (Hörisch *et al.*, 2020). Sustainability reporting is aimed at a broad range of stakeholders, while integrated reporting primarily targets providers of financial capital (Herbert and Graham, 2018). This distinction raises concerns about the effectiveness of integrated reporting in applying stakeholder theory, as it only addresses the needs of a selected group—financial capital providers. The interchangeable use of 'ESG' and 'sustainability' can be misleading, as ESG reporting tends to focus on financial capital, potentially neglecting other stakeholders. As a result, there may be a limitation in demonstrating the application of stakeholder theory in ESG reporting since reports may be tailored to the needs of specific audiences, affecting the comprehensiveness of sustainability disclosures across multiple reports.

Gaps in literature

As sustainable finance grows, companies face increasing pressure to disclose their sustainability practices, as investors now factor these into their decisions. ESG and sustainability reporting can be done through integrated reports, sustainability reports, or both. This is crucial for banks, which are expected to operate sustainably and finance sustainable businesses. The value added by sustainability reports, alongside integrated reports, hinges on concepts like double materiality and the target audience.

Although research exists on ESG and sustainability's impact on firm value and resilience (Danisman, 2022), few studies focus on how banks distinguish between the two or apply double materiality in their reporting. This study investigates the distinction or interchangeable use of the terms ESG and sustainability and the implications of the reports used to report on these matters, including the target audience and purpose of the reports.

Method

The study addresses the following questions: Do the sampled banks acknowledge the difference between the terms 'ESG' and 'sustainability' in the ESG and sustainability disclosures made in various reports, and what impact does the distinction or non-distinction have on reporting? This research adopts a qualitative approach, specifically content analysis, comparing ESG and sustainability disclosures in integrated and sustainability reports of the top five listed banks from South Africa, Japan, the UK, the US, and France. Following the methodology of Clayton et al. (2015), a template was used to record observations from the data.

The selected countries were chosen based on their reporting of ESG and sustainability matters. Eccles et al. (2019) highlight these countries' strong integrated and sustainability reporting practices. Although not mandatory for all countries, sustainability reporting indicates a probability of sustainability-related disclosures by banks in those countries. The top five listed banks (based on the size of total assets per bank) from South Africa, the UK, the US, France and Japan were selected as these have a significant market size.

The analysis focused on environmental and social issues, as ESG covers environmental, social, and governance topics, while sustainability includes environmental, social, and economic factors (JSE, 2022). The years 2019 and 2021 are chosen for comparison, with 2021 being the most recent available reports at the time of data collection and 2019 preceding the global impact of COVID-19 (World Health Organisation, 2020) to avoid adjusted reporting arising from the pandemic. Reports were thoroughly examined to identify references to additional documents, ensuring that all relevant reports were downloaded. Where no integrated or sustainability reports were available, zero reports were recorded. In total, 102 reports were analysed: 28 from South African banks, 18 each from Japanese and UK banks, and 19 from US and French banks. The analysis applied uniform procedures to all reports, regardless of type. To determine how 'ESG' and 'sustainability' are used, the study examined whether the terms referred to inward (how businesses are affected) or outward (how businesses impact external environments) matters. The interchangeable use of the terms was noted when they were applied inappropriately to either inward or outward impacts. Additionally, the number and type of reports used—whether integrated, sustainability, or both—were assessed for each bank, alongside each report's stated purpose and target audience. Materiality definitions were also reviewed to establish what each report deemed material. Where banks did not explicitly define materiality or target audiences, it was recorded as undisclosed.

The study is subject to several limitations. As is inherent in qualitative content analysis, the study's results are subjective, influenced by the researcher's interpretations of whether disclosures refer to inward or outward impacts. The sample is limited to 25 banks from five countries and covers only the reporting years 2019 and 2021. Moreover, only integrated and sustainability reports were considered. The research does not extend to other years, industries, or countries and relies solely on reports on the banks' websites. Despite these limitations, the study provides valuable insights into the impact of distinguishing or not distinguishing between ESG and sustainability terms in banks' reporting.

Findings and Discussion

The distinct or interchangeable use of the Terms 'ESG' and 'sustainability'

This section presents whether the analysed bank reports acknowledge the difference between the terms 'ESG' and 'sustainability'. It also examines whether the labelling of ESG and sustainability matters aligns with the definitions of these terms, such as whether the impact of the bank's operations on the external environment is labelled as a sustainability matter, ESG matter, or both.

Only one out of five South African banks acknowledged a distinction between 'ESG' and 'sustainability' in both 2019 and 2021 reports. One bank's 2021 ESG report provided a comparison in line with the definitions used in this study, whereas the other four banks did not make this distinction. Instead, they used the terms interchangeably, with 'ESG' referring to outward impact and 'sustainability' addressing inward impact. In some cases, the terms were applied to inward and outward impacts. This lack of distinction confirms the guidance by the JSE, which states that no agreed scope differentiates the two terms (JSE, 2022).

In the UK, US, Japan, and France, none of the five banks analysed in 2019 or 2021 distinguished between the terms 'ESG' and 'sustainability'. The terms were used interchangeably across reports, with ESG often referring to the external impact of a bank's operations and sustainability addressing the reverse. In some cases, these reports did not label issues as ESG or sustainability matters; instead, they classified them as 'nonfinancial information'.

The findings indicate a general lack of distinction between 'ESG' and 'sustainability' in the reports analysed from 2019 and 2021. These terms are used interchangeably and often have overlapping meanings. This could stem from the non-distinction of terms in the reporting frameworks and standards despite their intended purpose to address different stakeholders (Krull, 2022). This confirms studies that found that stakeholders' broader needs may not be fully considered (Joffe, 2018), reflecting a limited application of the stakeholder theory.

Number of Reports Used

A point of debate in corporate reporting is whether ESG and sustainability issues should be presented together in integrated reports or separately in distinct reports (Pitchot, 2020). Some studies suggest that companies producing integrated and sustainability reports generate higher-quality integrated reports (Malola and Maroun, 2019). Others indicate that some firms merge financial, social, and sustainability reporting (Camilleri, 2019). The application of stakeholder theory is relevant here, as the number of reports could affect how different stakeholders are addressed.

This section details the number of reports used by banks from South Africa, France, Japan, the US, and the UK to disclose ESG and sustainability matters. It also clarifies which reports include ESG and sustainability information. Figure 1 illustrates that South African banks produced the largest number of reports in both 2019 and 2021, with multiple types of reports. Though titles varied across countries, these reports were categorised based on their focus.

Figure 1: Number of reports used per country

All five South African banks used more than one report to disclose ESG and sustainability matters in 2019 and 2021. Reports included integrated, ESG, and sustainability reports addressing environmental and social issues. Despite being labelled differently, ESG and sustainability issues were often reported together without strict separation. This supports the King IV recommendation, which promotes using multiple reports without mandating the separation of ESG and sustainability disclosures (IoD, 2022).

Four of the five UK banks used more than one report in 2019 and 2021, including ESG reports, annual reports, and sustainability summaries. ESG and sustainability issues were disclosed together, with no separation. This reflects the LSE guidance, which does not limit the number of reports used (LSE, 2021).

In the US, three out of five banks used more than one report in 2019, with all five banks doing so in 2021. These reports, including ESG and sustainability reports, did not separate ESG from sustainability matters. Both were addressed together, reflecting the New York Stock Exchange guidance, which does not restrict the number of reports used.

In 2019, four of five Japanese banks used multiple reports, and by 2021, all banks had adopted this approach. ESG and sustainability matters were reported together, without distinction, consistent with Japan Exchange guidance, which allows for combined reporting without requiring separation (Japan Exchange Group, 2020).

Four out of five French banks used multiple reports in both 2019 and 2021. These included integrated, annual, and social reports. ESG and sustainability matters were disclosed together, with no clear distinction between them. This aligns with Euronext's guidance, which does not mandate the separation of these issues (Euronext, 2022).

Overall, the sampled banks from all countries used more than one report to disclose ESG and sustainability matters without a clear distinction. The lack of separation in reports suggests a similarity between ESG and sustainability disclosures in terms of the number and type of reports used. This may be due to the absence of frameworks or standards promoting their separation (Adams and Abhayawansa, 2022). Freeman's stakeholder theory highlights the need for businesses to consider all stakeholders in their reporting (Freeman, 1984). Given that ESG and sustainability matters are not confined to specific reports, it raises questions about whether the information needs of all stakeholders are being addressed adequately and equally.

Users of Reports

The intended audience is one key factor in determining the format and content of integrated and sustainability reports (Clayton *et al.*, 2015). This section presents findings on the target audiences listed for various bank reports. Definitions of ESG and sustainability relate to specific audiences—ESG typically targets investors, while sustainability focuses on a broader range of stakeholders. Stakeholder theory is relevant, as different reports may address different stakeholder groups. Investors are usually the primary audience for the integrated reports examined, with some references to additional groups such as society, employees, and clients. In contrast, sustainability and ESG reports often list a broader audience, including clients, employees, shareholders, sustainability rating agencies, government bodies, and ESG analysts. However, many reports do not disclose their target audience.

In South Africa, integrated reports primarily target investors, while sustainability and ESG reports have a broader audience, including regulators and analysts. In some cases, target audiences are not disclosed, reflecting the non-mandatory nature of such disclosures under existing standards.

The other countries showed mixed results. For the French, the target audience is rarely mentioned. In instances where it has been disclosed in the integrated report, the intended audience is shareholders. For Japan, not all reports include disclosures on the target audience. The target audience for ESG and sustainability reports includes a wide range of stakeholders, including potential investors, society, and employees. In the US, the target audience for annual reports, where this is disclosed, includes shareholders, clients, teammates, leaders and partners in the communities that the banks serve. The target audience for the ESG reports is disclosed as being all stakeholders of the banks. In the UK, where this is mentioned, shareholders are the target audience for annual reports. The nuances noted here could result from the absence of measures to mandate these disclosures (Adams and Abhayawansa, 2022).

Overall, there is little distinction between the target audiences for ESG and sustainability reports. The lack of mandated disclosures contradicts the study by Clayton *et al.* (2015) and raises questions about whether all relevant stakeholders are considered in corporate reporting.

Purpose of Reports

The purpose of integrated and sustainability reports influences their content (Clayton *et al.*, 2015). This section outlines the purposes of reports from various banks that have been disclosed. ESG reports typically focus on investors, while sustainability reports target a wider range of stakeholders, impacting the application of stakeholder theory.

For South African banks, integrated reports aim to show value creation, erosion, and preservation, with some mentioning non-financial performance. Sustainability and ESG reports focus on managing economic, social, governance, and environmental risks, reporting on societal impact, transformation, and SDGs. While some reports disclosed their purpose, others did not, reflecting the non-mandatory nature of such disclosures under existing frameworks. There was no significant distinction between the purposes of ESG and sustainability reports, consistent with the King IV report, which does not require separate disclosures (IoD, 2022).

Not all reports disclosed their purpose in France, Japan, the UK, and the US, likely due to the absence of mandatory guidelines, as highlighted by the study by Adams and Abhayawansa (2022). Where provided, integrated reports typically focus on value creation, strategies, and governance, while ESG and sustainability reports often address environmental and social issues. In the US, the largest proportion indicating the purpose was 40% of banks that showed the purpose of their annual reports. The purpose of the annual reports was to report on the financial performance of the respective banks. However, there was no clear distinction between reports focusing on ESG or sustainability matters in all cases.

Overall, there is little difference in the reports' purpose to disclose ESG and sustainability matters. This may be due to the lack of required disclosures and interchangeable use of the terms, raising questions about whether all stakeholders' needs are adequately addressed.

Materiality

Materiality is a key factor in reports, linking the interests of their target audiences (Beske *et al.*, 2020). Differences in materiality for integrated and sustainability reports stem from distinct definitions, each addressing different stakeholder needs, in line with stakeholder theory (Freeman, 1984). The JSE (2022) states that materiality is defined according to the report's users. The proportion of reports prepared by the banks in each country that reported on their materiality considerations is presented in Figure 2 below. Some banks prepared more than one report; the figure represents the proportion of total reports per country.

Figure 2: Proportion of reports disclosing materiality for 2019 and 2021

Four out of five South African banks defined materiality in their integrated reports in 2019 and 2021, focusing on value creation across the six capitals of integrated reporting over short, medium, and long terms. Materiality was determined through stakeholder engagement in a four-step process: identifying, prioritising, reporting, and monitoring material issues. However, one bank did not disclose its materiality definition in either year, suggesting non-compliance with the International Integrated Reporting Framework. Sustainability reports, where materiality was disclosed, linked it to societal impact and the SDGs. No noteworthy materiality definitions or process changes were noted between 2019 and 2021.

In 2019, none of the five banks in the US provided materiality definitions in their reports. By 2021, only one bank had included a materiality definition in its ESG report, which was determined through stakeholder discussions. The lack of materiality disclosures likely stems from an absence of mandatory requirements.

All five UK banks mentioned factors considered for materiality in their annual reports for both 2019 and 2021. However, only one bank defined materiality in its ESG and sustainability reports. Stakeholder engagement, risk management, and alignment with SDGs were the primary factors considered, but most banks did not provide formal materiality definitions.

French and Japanese banks generally lacked materiality disclosures. Only one French and several Japanese banks identified material factors based on internal processes, stakeholder engagement, and SDG alignment. No materiality definitions were provided. However, one French bank provided the factor considered in determining material issues in the context of its sustainability reports for 2019 and 2021, although the definition of materiality was not provided. The factor disclosed was the materiality matrix derived through various internal risk management processes. It can be concluded that there is no difference in the definition of materiality and how materiality is determined for ESG disclosures and sustainability disclosures. This also shows that the French banks sampled did not consider the impact of introducing the EU's principle of double materiality (European Financial Reporting Advisory Group, 2021). However, this may be considered in subsequent years.

Materiality definitions and processes were inconsistently disclosed across the countries analysed. Where materiality was defined, no substantial changes were noted between 2019 and 2021. The principle of double materiality was not widely applied or disclosed, suggesting challenges in materiality determination and a lack of comprehensive consideration of all stakeholder groups.

Conclusion

This study investigated the differences and similarities in the disclosures of ESG matters and sustainability matters of the top five listed South African, Japanese, French, United Kingdom and United States banks. The study was carried out using a content analysis of the reports used by banks to disclose ESG matters and sustainability matters. It is shown that the terms 'ESG' and 'sustainability' are used interchangeably for the banks included as part of the sample, resulting in the terms being used to address either matters relating to the impact of the banks on the external environment or matters relating to the impact of the external environment on the sampled banks. The interchangeable use of the terms has resulted in ESG disclosures and sustainability disclosures being provided in the same reports, although these were frequently reported in more than one report. There was a lack of disclosure of the target audience, materiality definition, and purpose of the reports presented due to no regulation mandating these disclosures, except for materiality disclosures in South Africa. Where present, the disclosure of the matters in the same reports results in similarities in the purpose, target audience, constitution, and definition of materiality in the reports used to present ESG disclosures and sustainability disclosures.

This study provides insight into how banks view the definitions of the terms 'ESG' and 'sustainability' and the implications from a reporting perspective. It is shown that the non-distinction of the terms leads to similarities in how the related matters are reported regarding the reports used and the target audience, materiality definitions and materiality determination processes and purpose of the reports used. The non-separation of ESG and sustainability matters means that the matters related to the impact of the banks on the external environment are not separated from external matters impacting the bank. The non-separation results in investors' and non-investor stakeholders' needs not being addressed separately in reporting. The information provided in the reports published is deemed to apply to both stakeholder groups. This may result in deficiencies in addressing other stakeholders' information needs since information needs differ across stakeholders. The interchangeable use of the terms 'ESG' and 'sustainability' may indicate a possible lack of consideration of the various stakeholders of the banks and their information needs, as outlined in the stakeholder theory. Preparers of reports which provide disclosures on ESG matters and sustainability matters should consider including links to the target audience and the purpose of the reports. Additionally, material considerations should be made and disclosed from investor and non-investor groups' perspectives. These considerations should be made even when ESG and sustainability matters are disclosed in the same reports.

Future areas for research include a study on whether the results for the research objectives could be different for studies conducted in other years apart from 2019 and 2021, other industries apart from the banking industry and other countries apart from the five sampled. The studies could be performed in countries with mandatory guidance to acknowledge the difference between ESG and sustainability. Future research might explore how distinct reporting for each concept could benefit stakeholders and examine the implications of these blended disclosures on transparency and accountability in different regulatory contexts. Future studies could also be conducted on companies with separation regarding the reports that disclose ESG and sustainability matters.

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