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Review

An Assessment of the Roles of the Government, Regulators, and Investors in ESG Implementation in South Africa: A Scoping Review

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Abstract: The purpose of this study was to detect from the literature the roles of the Government, investors, and regulators in ESG implementation in South Africa from 2002 to 2022. ESG implementation in South Africa ensures sustainable business practices are adopted by firms operating within the country. The study used a scoping review methodology, with only articles in the English language being considered. A pilot search was carried out to identify key search phrases to be included in the search strategy. A total of 208 articles were identified and only 34 articles were eligible for the study. The results show an increase in ESG implementation by institutional investors, although investor activism is still low in South Africa. The South African Government actively enacted laws and regulations that supported ESG implementation after the global financial crisis of 2007–8. However, in recent years, there has been a lack of hard laws to support the non-legislative ESG rules that dominate ESG reporting. The study shows that the South African Government should improve its ESG laws for effective ESG adoption and avoid relying on the JSE, which enforces the King Code as a mandatory listing requirement to monitor ESG implementation. Training, capacity building, and active Government participation are critical for effective ESG implementation in South Africa.

Keywords: ESG; implementation; government; regulators; investors; South Africa

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1. Introduction

Environmental, social, and governance (ESG) is a framework used to evaluate a firm's sustainability and social responsibility practices. ESG implementation ensures sustainable growth, reduces risks, enhances long-term returns, and promotes adherence to regulatory requirements (Amini & Bienstock, 2014; Junaedi, 2024). In addition, ESG implementation entails embedding ESG consideration into the core business strategy, making operational changes to align business goals with sustainability standards, implementing ESG reporting frameworks, and adapting operations to meet regulatory or industry ESG requirements. Thus, the discourse on ESG implementation has gained significant traction over the past decade, with Bloomberg, for instance, estimating ESG assets to be worth over USD 25 trillion by 2025. Over 4800 institutions have adopted the Principles for Responsible Investment (PRI), as of 2021 (Jonsdottir et al., 2022; Naeem et al., 2023; Yuan et al., 2022). According to the European Banking Authority, ESG factors contribute to firm risk; thus, investors, regulators, and Governments must collaborate to mitigate this hazard (Díaz-Peña et al., 2022; Zainullin & Zainullina, 2021). However, ESG information is broad, non-financial, and

qualitative, and varies from industry to industry, accompanied by unstandardised reporting frameworks. Furthermore, firms selectively report on ESG to superficially meet investor, regulatory, and Government expectations (Krueger et al., 2021). Yet, companies play a concomitant role in the obliteration of ecology. Studies have shown that environmental legitimacy has a positive effect on firm performance; thus, firms are indirectly being influenced to implement ESG in their operations (Ali et al., 2022; Akhter et al., 2023; Magness, 2006).

South Africa has a long history of socially responsible investments (SRIs), dating back to the 1970s, when such investments were used as a strategy to combat the apartheid regime. Post-independence, the country has enacted several laws and regulations, such as the Broad-Based Black Economic Empowerment (BBBEE) Act, aimed at redressing social inequalities (Viviers & Els, 2017). As an emerging economy, South Africa faces significant developmental challenges and relies heavily on the extraction of natural resources, making it one of the top 15 carbon emitters globally (Pfaff, 2021). While ESG adoption has increased worldwide, South Africa still relies heavily on non-legislative rules, such as the King Code, with limited Government intervention. This raises questions about the effectiveness of ESG implementation in the country.

Given the growing importance of ESG, this study seeks to explore the roles played by the Government, regulators, and investors in driving successful ESG implementation in South Africa from 2000 to 2022, using a scoping review methodology. This study aims to provide insights into how these key actors can collaborate more effectively to enhance ESG adoption, addressing the gap in the literature regarding the interplay between non-legislative rules and Government intervention in emerging economies. By examining the roles of these stakeholders, this study will contribute to the development of a deeper understanding of the challenges and opportunities in regard to ESG implementation, particularly in a resource-dependent economy like South Africa. The subsequent sections include a theoretical discussion on the roles of key actors in ESG practices, as well as a discussion on the methodology, findings, and conclusions of the study.

2. Theoretical Discussion on the Key Actors in ESG Practices

2.1. Role of Investors in ESG Implementation

Corporations and institutional investors are responsible for protecting the interests of society and other stakeholders, not just shareholders with controlling stakes in companies (Mahmud et al., 2021; Ratner, 2001). Investors are expected to conduct their businesses within the confines of the law and establish effective ways to implement ESG requirements, without treating them as a passing trend or a mere addition to existing disclosure checklists (Strine et al., 2021). Investors who integrate strong ESG policies and compliance requirements into their operations tend to have a greater impact and legitimise their activities (Fairfax, 2023). This is evident in the significant growth in ESG investments, with global ESG portfolio investments surpassing USD 40 trillion in 2021 and projected to reach USD 53 trillion by 2025 (Cruz & Matos, 2023). Increasingly, investors expect their investment portfolios to reflect their values, with some opting for an impact investment approach that prioritises societal benefits, alongside financial gains (Fairfax, 2023; Nyiwul & Iqbal, 2022). This growing demand for sustainability has led to the development of several ESG frameworks, aimed at providing investors with meaningful and measurable ESG performance metrics.

Studies suggests that ESG practices can enhance a company's financial performance by reducing costs, improving risk management, and increasing operational efficiency (Andrey, 2023; Astuti et al., 2024). For instance, firms with a strong ESG performance often benefit from lower costs of capital, as investors perceive them as less risky and more sustainable in

the long term (Cruz & Matos, 2023; Fairfax, 2023). During the COVID-19 pandemic, ESG investments outperformed traditional stocks, demonstrating their resilience during periods of market volatility (Naeem et al., 2023). This outperformance can be attributed to the fact that ESG-focused firms are better equipped to manage environmental and social risks, such as climate change and labour disputes, which can have significant financial implications.

ESG practices can also enhance a firm's market value by attracting socially responsible investors and improving stakeholder trust. For example, firms that prioritise ESG reporting and transparency are more likely to attract institutional investors who increasingly consider ESG factors in their investment decisions (Fairfax, 2023). This trend is evident in the growing demand for ESG metrics and frameworks, such as those developed by the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD), which provide investors with meaningful and measurable ESG performance data (Cruz & Matos, 2023). By aligning their portfolios with ESG principles, investors can not only achieve financial returns, but also contribute to broader societal and environmental goals.

Despite the potential benefits, ESG practices do not always guarantee profitability or market value. In some cases, firms may engage in greenwashing, superficially adopting ESG practices to meet investor demands, without making meaningful changes. This can undermine the financial benefits of ESG integration and erode investor confidence (Pandey et al., 2023; Singh & Chudasama, 2021). Critics of ESG further contend that implementing ESG diverts scarce resources from a firm's core objectives. ESG can lead to corporatism, a system where the firm, Government, and unions have equal power in the decision making of a firm. This type of corporatism can discourage disruptive innovative investors from investing in a country (Rajgopal, 2022). Additionally, the lack of standardised ESG reporting frameworks and reliable data can make it difficult for investors to accurately assess a firm's ESG performance, leading to the potential misallocation of resources (Jonsdottir et al., 2022). For example, in emerging markets like South Africa, inconsistent ESG reporting and weak regulatory enforcement have hindered the adoption of sustainable practices, limiting the financial benefits of ESG integration (Lavin & Montecinos-Pearce, 2021; Mohammad & Wasiuzzaman, 2021).

Investors are increasingly using their influence to push for the adoption of stronger ESG practices. In the United States, for example, institutional investors pressured the Securities and Exchange Commission (SEC) to propose mandatory ESG disclosures, a move the SEC had previously resisted (Cruz & Matos, 2023; Fairfax, 2023). This activism has led to the development of several ESG frameworks aimed at providing investors with meaningful and measurable ESG performance metrics. During the COVID-19 pandemic, socially responsible investments outperformed traditional stocks, further validating the financial benefits of ESG integration (Naeem et al., 2023). Investors are also increasingly divesting from traditional investments in favour of green investments guided by ESG principles. For instance, Akademiker Pension, a Danish pension fund, sold its stake in oil, gas, and coal companies worth USD 520 million due to their failure to meet their ESG responsibilities (Gilmore, 2024). Similarly, Norway's Government Pension Fund Global withdrew GBP 5.7 billion from oil firms that failed to invest in sustainable renewable energy (Shakil, 2021). These actions highlight a growing preference by investors for clean energy firms, even if it means higher regulatory costs.

The relationship between ESG practices and profitability is complex and context dependent. While some firms may experience immediate financial benefits from ESG integration, others may face additional short-term costs, such as increased regulatory compliance expenses or costs related to investments in sustainable technologies. However, over the long term, firms that successfully integrate ESG principles into their operations

are likely to achieve sustainable growth and a competitive advantage (Cruz & Matos, 2023; Fairfax, 2023). For example, firms that invest in renewable energy or adopt circular economy practices can reduce their environmental footprint, while also lowering their operational costs and enhancing their brand's reputation.

In Europe, asset managers and investors take non-financial disclosure seriously, while in the US, interest in responsible investments is growing among both institutional and private investors (Zainullin & Zainullina, 2021). In contrast, pension funds in the US are primarily focused on maximising returns without considering the negative externalities of their investments, whereas the South African Government has required pension funds to consider sustainability issues in their decision making since 2011 (Muir, 2022; DeSipio, 2023). In Asia, private equity investors are being forced to adopt ESG practices to meet global sustainability norms, despite weak regulatory standards and enforcement in most countries (Long & Johnstone, 2023). For example, international investors expect Asian products to include ESG elements to meet their investment requirements, but inconsistent enforcement remains a challenge.

Investors are key drivers of ESG adoption, with their demands for transparency and accountability pushing firms to improve their sustainability practices. While challenges, such as unreliable ESG data and inconsistent reporting frameworks persist, the growing recognition of the financial benefits of ESG integration is encouraging more investors to prioritise sustainability in their portfolios. This trend is likely to continue, particularly as regulatory pressure and stakeholder activism increase globally.

2.2. Role of Regulators in ESG Implementation

Regulators play a critical role in standardising ESG reporting and ensuring transparency. The United Nations Sustainable Development Goals (SDGs), introduced in 2015, provide a global framework for sustainability, encouraging Governments and firms to align their practices with 17 key pillars (Bose, 2020). To support SDG implementation, frameworks like those created by the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-Related Financial Disclosures (TCFD) have been developed to guide ESG reporting (Cruz & Matos, 2023).

The framework developed by the TCFD, which was established in 2015, has gained widespread adoption, with over 1500 firms (representing USD 12.6 trillion in market capitalisation) and 110 regulators endorsing its guidelines (Redondo Alamillos & De Mariz, 2022; Williams & Nagy, 2021). However, the proliferation of ESG frameworks has led to reporting fatigue, as companies struggle to comply with multiple, often overlapping, reporting requirements (Bose, 2020; El-Hage, 2021). This highlights the need for a standardised, universal ESG reporting framework.

Regulators are increasingly mandating ESG disclosures to improve transparency and accountability. For example, the European Union (EU) has implemented the Non-Financial Reporting Directive and the Sustainable Finance Disclosure Regulation, which require firms to disclose their ESG practices (Bruno & Lagasio, 2021). In the US, the Securities and Exchange Commission (SEC) has proposed mandatory climate-related disclosures, marking a significant shift in its approach to ESG regulation (Fairfax, 2023).

Despite these advancements, challenges remain. ESG ratings are often inconsistent, and the social (S) aspect of ESG lacks clear reporting guidelines (Cort & Esty, 2020). Additionally, excessive regulation can deter pro-green firms, as seen in the US, where state-level anti-ESG laws have created regulatory tensions (Garrett & Ivanov, 2023). Regulators must strike a balance between mandatory disclosures and the risk of overregulation, ensuring that ESG frameworks are both effective and practical (Ozili, 2022).

In emerging economies, weak enforcement and inconsistent ESG norms further complicate ESG implementation (Long & Johnstone, 2023). For example, in South Africa, the reliance on non-legislative rules like the King Code has led to gaps in ESG adoption, highlighting the need for stronger Government intervention (Milazi, 2016; Burival, 2021).

2.3. Role of Government in ESG Implementation

Governments play a pivotal role in driving ESG adoption through the creation of legislation, policy, and regulatory frameworks. Their influence is critical in creating an enabling environment for sustainable practices, particularly in emerging economies where non-legislative rules often fall short. Countries with strong ESG regulations, such as those in the European Union (EU), have achieved higher Sustainable Development Goal (SDG) scores, demonstrating the effectiveness of Government-led ESG initiatives (Krueger et al., 2021; Plastun et al., 2019). The EU's Taxonomy Regulation and Sustainable Finance Disclosure Regulation have set global standards, influencing ESG practices worldwide and encouraging other regions to adopt similar measures (Bruno & Lagasio, 2021; Stamelos, 2023).

One of the key tools Governments use to promote ESG is carbon tax laws and the polluter-pays principle, which incentivise companies to reduce their environmental footprint. For example, in China, strict ESG regulations have spurred green innovation, forcing companies to discontinue low-quality green projects and focus on high-quality sustainable practices (Wang & Sun, 2022). However, the relationship between regulation and innovation is not always straightforward. In the US, for instance, excessive regulation in the manufacturing sector has been found to hinder green innovation, highlighting the need for a balanced approach (Wang & Sun, 2022).

Local Governments also play a crucial role in promoting ESG through green finance policies, taxation, and fiscal incentives. For example, in South Africa, the Government has introduced the Carbon Tax Act and the Renewable Energy Independent Power Producer Programme (REIPPP), which have attracted significant private investment (National Treasury, 2021). The REIPPP alone has drawn ZAR 202 billion from local and international investors, demonstrating the potential of Government-led initiatives to unlock sustainable economic opportunities (National Treasury, 2021). However, South Africa's reliance on extractive industries and weak regulatory enforcement remain significant barriers to ESG adoption (Milazi, 2016; Burival, 2021).

Governments are encouraged to adopt a mix of public regulation and private ordering to ensure effective ESG implementation (Ho & Park, 2019). While mandatory ESG disclosures can improve transparency and accountability, excessive regulation can deter innovation and investment. For example, in the US, state-level anti-ESG laws, such as those in Texas, have created regulatory tensions, with some states prohibiting municipalities from dealing with banks that have ESG policies (Garrett & Ivanov, 2023). These anti-ESG measures can lead to increased borrowing costs and hinder the transition to a sustainable economy.

To motivate firms towards ESG adoption, Governments should introduce reward and punishment systems. Rewards could include tax breaks, subsidies, and discounts for firms that successfully reduce their ecological footprints, while penalties could involve downgrading the credit ratings of ESG offenders or limiting their access to loans (Renström et al., 2021; Wang & Sun, 2022). Such systems can create a competitive advantage for compliant firms and encourage broader ESG adoption.

In emerging economies, tailored ESG regulations are needed to address unique challenges, such as the reliance on natural resources and weak institutional settings (Long & Johnstone, 2023). For example, in South Africa, the Government's reliance on non-legislative rules like the King Code has led to gaps in ESG adoption, highlighting the

need for stronger legislative support (Milazi, 2016; Burival, 2021). The King Code, while effective in promoting corporate governance, is not sufficient to address the country's high carbon emissions and reliance on coal. There is a growing call for mandatory ESG laws to complement the non-legislative rules and ensure comprehensive ESG implementation.

The European Union has been at the forefront of setting ESG standards, with its policies influencing global practices through the "Brussels Effect" (Redondo Alamillos & De Mariz, 2022). The EU's mandatory disclosure regulations have forced other countries to follow suit, creating a ripple effect across global markets. However, the EU's approach is not without challenges. The lack of standardization in ESG reporting and the proliferation of frameworks have led to reporting fatigue, underscoring the need for a unified global standard (Bose, 2020; El-Hage, 2021).

Governments are essential in regard to driving ESG adoption through the creation of legislation, policy, and regulatory frameworks. Their role is particularly critical in emerging economies, where non-legislative rules often fall short. By adopting a balanced approach that combines public regulation and private ordering, Governments can create an enabling environment for sustainable practices, incentivise compliance, and address the unique challenges of their respective economies.

3. Methodology

This study followed the methodological structure propounded by Arksey and O'Malley (2005) in regard to conducting a scoping literature review on the role of Government, regulators, and investors in the implementation of ESG. In addition, the study follows the PRISMA guidelines. The study aimed to identify the roles of Government, regulators, and investors in ESG implementation. The study, through the use of a scoping review, examined the literature on the roles of Government, investors, and regulators in ESG implementation in South Africa. The research identified the roles, research gaps, and findings that informed the policy making by Government and regulators and improved investors' practices (Arksey & O'Malley, 2005; Matenda et al., 2022). The scoping review incorporated various literature that used different research designs and methods. A scoping review was appropriate for this study because the role of Government, regulators, and investors is still a fairly new area in South Africa that is sophisticated and has not yet been expansively reviewed. Through the scoping review, the aim of this study was to provide answers to the study's extensive questions (Arksey & O'Malley, 2005).

The methodological structure proposed by Arksey and O'Malley (2005) was used for this study. The methodological structure consists of five stages, highlighted in Figure 1 below.

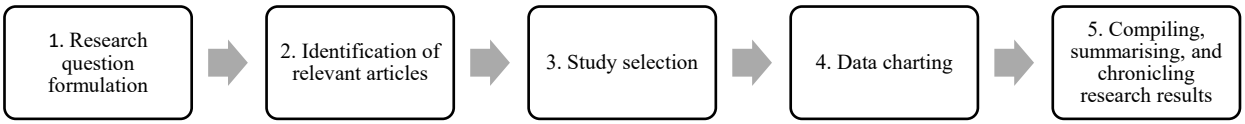

Figure 1. Methodological structure; source (Arksey & O'Malley, 2005).

3.1. Research Question Formulation

The first stage was to formulate a research question that would guide this methodology. This research question guides how the research plan is designed (Arksey & O'Malley, 2005). This scoping review answered the following research question, 'What are the roles of Government, regulators, and investors towards ESG implementation in South Africa?'.

3.2. Identification of Relevant Articles

Articles that addressed the research question were pooled from the following sources: Google Scholar, ResearchGate, ScienceDirect, handsearching, and published reports. Only

articles from these sources were included in the research to ensure reliability and consistency. The study's observation period was from 2000 to 2022 to capture the effect of the Global Reporting Initiative (GRI) in 1997, the Millennial Development Goals in 2000, the global financial crisis 2007–2008, the Sustainable Development Goals in 2015, the Paris Agreement in 2016, and the Glasgow Climate Pact in 2021 on the roles and decision making by Government, regulators, and investors. The period under study enabled the researchers to identify trends and the cause-and-effect relationships amongst the variables under study. A search strategy was created based on the research question. A pilot search strategy was conducted to check the effectiveness of the search strategy. A search strategy based on the research question yielded no results in all the web-based databases. Based on the outcomes, the search strategy was fine tuned. The final search strategy included phrases that describe the roles of Government, regulators, and investors and provide evidence on ESG implementation. The phrases used included "ESG" and "South Africa", "regulation" and "South Africa", "socially responsible investment" and "South Africa", "investors" and "South Africa", "ESG regulation" and "South Africa", "South African Government" and "ESG". The final search strategy was first carried out using all three databases; the first 100 articles that were listed by the search engine were considered for the study. This was to ensure that efficiency and quality were maintained during the search process (Arksey & O'Malley, 2005; Tricco et al., 2016). In addition, scoping reviews often involve screening large volumes of literature and limiting the search results to the top 100 articles was a practical way to ensure the review remained manageable, while still capturing the most relevant studies. Google Scholar, ScienceDirect, and ResearchGate use different ranking algorithms; thus, they enabled the researchers to capture a broader range of relevant studies. For example, Google Scholar captures results based on citation counts and relevance, whereas ScienceDirect uses a combination of relevance and publication date and ResearchGate ranks its results based on end-user engagements (Martín-Martín et al., 2018). Limiting the search to the top 100 articles helps balance the breadth of the review (covering a wide range of studies) with the depth of the analysis (ensuring that the most relevant studies are included). This approach is particularly useful in scoping reviews, where the goal is to map the existing literature rather than conduct a comprehensive meta-analysis (Pham et al., 2014).

3.3. Study Selection

Peer-reviewed articles, professional reports, and published surveys in the public domain were included in the study. Articles in foreign languages other than English were excluded due to time and financial constraints (Arksey & O'Malley, 2005). To ensure rigour and transparency, a vetting process was obligatory, since scoping reviews pursue breath as opposed to depth (Arksey & O'Malley, 2005; Tricco et al., 2016; Akbarialiabad et al., 2021). Studies that failed to address the research question were excluded from the review.

3.4. Vetting Process

In instances where the titles and abstracts failed to address the research question, the introductions and conclusions were considered. Where the introductions and conclusions failed the vetting process, the whole article was reviewed to deliberate on its suitability in regard to the review process (Pham et al., 2014). The successful articles identified during the vetting process were obtained from the search engines and contacting the authors was necessary in order to conduct a full textual analysis.

An integrated template was used to collate the articles that had been vetted using titles and abstracts (Pham et al., 2014; Akbarialiabad et al., 2021). An integrated template captured the article features, such as the authors, year, title, and suitability. Article features

such as the authors, aims, publication year, title, and results were included in the template. The template was pretested and revised before use in this study. The suitable articles and their features were mined and captured in the template; on the other hand, unsuitable articles were dropped from the study at this stage (Pham et al., 2014; Hasselgren et al., 2020)

3.5. Metadata

Information from the reviewed research articles was charted (Arksey & O'Malley, 2005; Pham et al., 2014). Charting involves interpreting and synthesising qualitative data by organising and examining the materials concerning the main themes (Matenda et al., 2022). A descriptive analytical technique that uses the same analytical structure for all the selected articles was adopted in this review (Arksey & O'Malley, 2005; Hasselgren et al., 2020; Akbarialiabad et al., 2021). A data charting form was used for charting the data used in this study. The charting form included the following information: recorded authors, publication year, title, the study aims, data sources, techniques implemented, and findings.

3.6. Compiling, Summarising, and Reporting the Results

The final stage involved compiling, summarising, and broadcasting the results. This review presented a synopsis of all the reviewed articles. A descriptive account of the findings was presented and a description of the findings expanded with discussions reinforced by the wide-ranging literature reviewed (Matenda et al., 2022). Figure 2 and Table 1 below present a summary of the details of the flow of data throughout the different stages of the scoping review process. The flow chart maps out the number of records that were identified, included and excluded, and the reasons for their exclusion. For this study, a total of 208 articles were identified after the initial elimination of duplicates. A total of 31 duplicate articles were removed from the study, using Microsoft excel 365. A total of 104 articles were found to be irrelevant after analysing the title, introduction, literature review, and conclusions, using Excel. Thus, the study was left with 73 articles, which were eligible for full-text analysis using Excel, and, of these, 39 were found to be irrelevant for the study. A full-text analysis was performed by the two authors independently to reduce bias, using independent Excel spreadsheets, which were compared at the end of the exercise. When there was a conflict at the end of the screening process, the third author was involved to solve the conflict through an independent resolution. After going through this rigorous eligibility screening process, only 34 articles were included and reviewed in this study, using NVivo 14 software (Appendix A).

Table 1. Summary table of reviewed articles.

Article Title	Authors	Methodology	Stakeholders
Responsible investing in South Africa: past, present, and future	Viviers and Els (2017)	Document analysis	Government, investors
Key challenges facing the socially responsible investment (SRI) sector in South Africa	Herringer et al. (2009)	Qualitative semi-structured interviews	Investors
Does consideration of environmental, social, and governance issues by institutional investors influence socially responsible investment decisions in South Africa?	Ogbuka and Fakoya (2016)	Qualitative content analysis	Investors
An index to measure the integrity of investment companies investing responsibility	Andrew (2020)	Triangulation	Government, regulators, investors

Table 1. *Cont.*

Article Title	Authors	Methodology	Stakeholders
Persistence in ESG and conventional stock market indices	Caporale et al. (2022)	Rescaled range analysis and fractional integration techniques	Investors
Sustainable finance practices in South African retirement funds	IFC (2020)	Survey	Investors
Environmental, social, governance (ESG) and its implications for medium-sized enterprises in Africa	ILO (2022)	Training guide	Government
ESG materiality insights from the South African investment industry	Worthington-Smith and Giamporcaro (2021)	Survey	Investors
South African banks' footprint in SADC mining projects: environmental, social, and governance principles	Milazi (2016)	Content analysis	Government, regulators
Reflecting on the changing landscape of shareholder activism in South Africa	Mans-Kemp and Van Zyl (2021)	Semi-structured interviews	Investors
Encouraging sustainable investment in South Africa: CRISA and beyond	Locke (2023)	Historical narrative and analysis	Regulators
Sustainability reporting patterns of companies listed on the Johannesburg Securities Exchange	Maubane et al. (2014)	Content analysis	Regulators
The state of responsible investment in South Africa	Jongh et al. (2007)	Survey	Investors
The evolution and alignment of institutional shareholder engagement through the King and CRISA reports	Foster (2020)	Historical narrative and analysis	Government, investors
Assessing the business case for environmental, social, and corporate governance practices in South Africa	Johnson et al. (2019)	Quantitative analysis	Investors
ESG and good corporate governance in relation to the use of pension funds: comparison between the United Kingdom and South Africa (the report)	Taplin (2021)	Library-based research	Investors
Corporate social responsibility and artisanal mining: towards a fresh South African perspective	Bester and Groenewald (2021)	Survey	Government
Successful private investor activism in an emerging market	Viviers and Mans-Kemp (2021)	Binary logistic regression	Investors
Institutional proxy voting in South Africa: process, outcomes, and impact	Viviers and Smit (2015)	Content analysis and interviews	Investors
The ebbing hegemon? An evolutionary perspective on the emergence of holistic governance and the efficient role of institutional investors in environmental, social, and governance issues (ESG)	Sharif and Atkins (2013)	Library-based research	Investors
SRI in South Africa: a melting pot of local and global influences	Giamporcaro and Viviers (2014)	Content analysis	Government, regulators, investors
Sustainable and responsible investment in emerging markets: integrating environmental risks in the South African investment industry	Giamporcaro (2011)	Empirical qualitative survey	Government, investors
Responsible investment: a vehicle for environmentally sustainable economic growth in South Africa	Pretorius et al. (2010)	Desktop research and interviews	Regulators, investors

Table 1. *Cont.*

Article Title	Authors	Methodology	Stakeholders
21 years of responsible investing in South Africa: key investment strategies and criteria	Viviers (2014)	Content analysis and semi-structured questionnaires	Government, investors
ESG investing and public pensions: an update	Aubry et al. (2020)	Library-based research	Investors
Regulating non-financial reporting: evidence from European firms' environmental, social, and governance disclosures and earnings risk	Arif et al. (2022)	Propensity score matching technique	Government
ESG disclosure in comparative perspective: optimising private ordering in public reporting	Ho and Park (2019)	Comparative analysis	Regulators, investors
Financing a sustainable economy	National Treasury (2021)	Survey and questionnaires	Government, regulators
Mainstreaming environmental, social, and governance integration in investment practices in South Africa	Marais et al. (2022)	Questionnaires and semi-structured interviews	Investors
The emerging importance of the TCFD framework for South African companies and investors	Burival (2021)	Survey	Regulators, investors
Experience and lessons from South Africa: an initial review	UNEP (2016)	Scoping review	Government, investors
Public pension funds and socially responsible investment in South Africa: a case study of the Public Investment Corporation	Luvhengo (2013)	Case study approach	Government
Is responsible investing ethical?	Viviers et al. (2008)	Content analysis	Investors
An analysis of trends in shareholder activism in South Africa	Cassim (2022)	Content analysis	Regulators

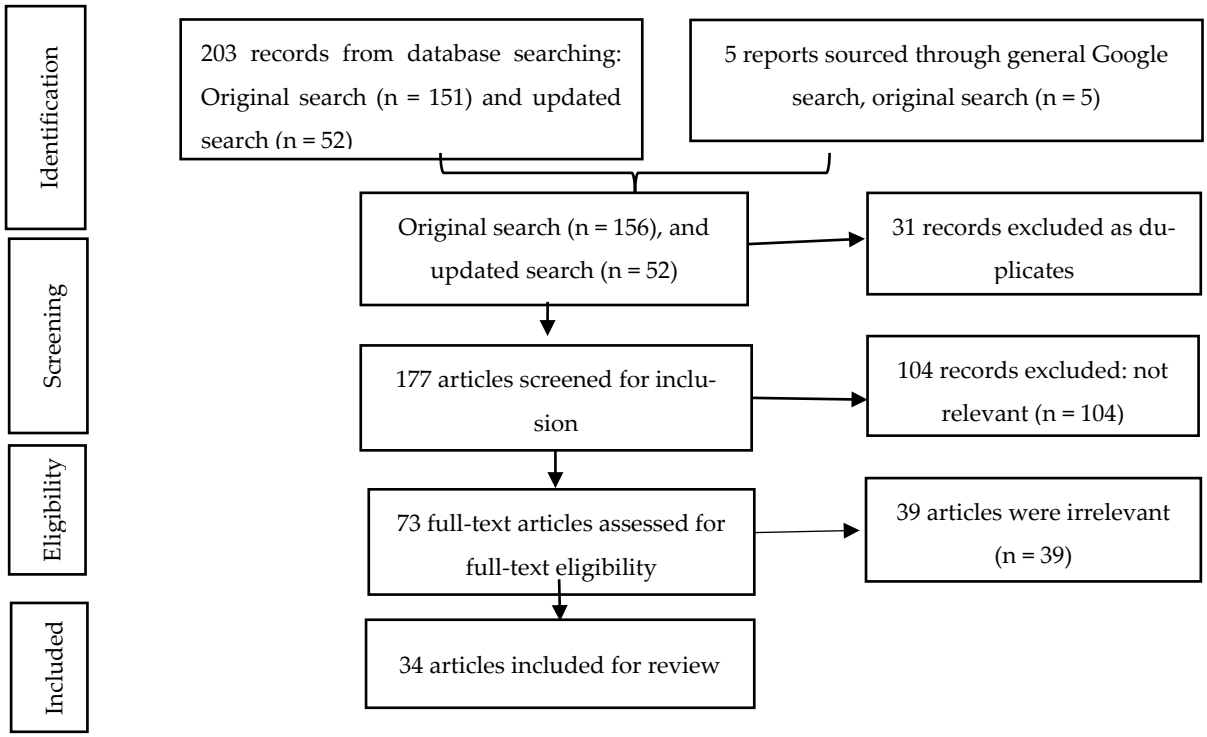

Figure 2. PRISMA study selection flow chart.

Below is a table that presents a list of the articles included in this study and information on the types of stakeholders involved.

4. Review of Selected Articles

Since 2000, the South African Government has enacted legislation, such as the Broad-Based Black Economic Empowerment (BBBEE) Act (2003), the Unemployment Insurance Act (2001), Amendment of Regulation 28 (2011), the Amendment of the Companies Act (2008), and Integrated Reporting (2010), which incorporate ESG requirements (Andrew, 2020). Mandatory integrated reports have improved the quality of ESG information disclosed by firms, which has translated into improved earnings forecasts by analysts (Arif et al., 2022). The BBBEE Act of 2003 was aimed at black empowerment and improving marginalised black people's social status through supplier development, enterprise, skills development, and resource ownership (Viviers & Els, 2017). The BBBEE Act was followed up with the Financial Sector Charter (FSC) in 2004, aimed at social and economic integration and enabling equitable access to the financial sector by all demographics in South Africa. Accordingly, the FSC has given access to financial services and investment opportunities to marginalised black people (Viviers & Els, 2017). Thus, the FSC was aimed at the economic integration and empowerment of the black population.

The Regulation 28 amendment was an essential step towards ESG implementation in South Africa, as it strongly encouraged responsible investment, and this regulation has managed to change the face of the retirement funds industry in South Africa (Viviers, 2014). According to revised Regulation 28, pension fund trustees were expected to craft investment policy statements that include the BBBEE Act, ESG, and trustee education. Giamporcaro and Viviers (2014) concluded that investment managers believed that South Africa was facing more developmental challenges as an emerging economy and should be less worried about the environmental pillar, which is a developed economy's problem. The lack of ESG experts and the failure to consider fund beneficiaries' expectations affected responsible investment in South Africa (Giamporcaro & Viviers, 2014). In 2019, follow-up guidance to Regulation 28 was issued, which required all boards of trustees to consider ESG factors before investing in any asset. This additional guidance was aimed at ensuring investors' compliance with Regulation 28 (National Treasury, 2021). Regulation 28 requirements have forced institutional investors to demand improved integrated reports, requiring detailed ESG reports from companies to assist in their decision making.

Regulation 28 requires pension funds to seriously consider any factor that may materially affect the sustainable long-term returns of the fund, and those factors may include ESG issues. King IV further reiterated the powers institutional investors had enshrined in the Companies Act, that is, to hold companies' boards accountable. Thus, institutional investors can act as a proxy for the greater stakeholders' interests (Foster, 2020). Institutional investors have a fiduciary duty to members of the retirement fund, their beneficiaries, and dependents. Thus, institutional investors have a fiduciary duty towards society, and, hence, their investment decisions have an impact on society and require due diligence to be carried out (Foster, 2020). The CRISA further states that sustainability entails managing the impact of investment decisions on communities, the economy, and the natural environment in which the firm operates.

The South African Government Employee Pension Fund (GEPF) dominates the pension industry, with assets approximately equal to one-third of the country's GDP, and the GEPF mandates that the Public Investment Corporation (PIC) must invest and control its portfolio of assets. The Government can, thus, influence the PIC in regard to investing in ESG assets, in order to adhere to its sustainability objectives. Considering this, in 2013, the PIC mainly concentrated on poverty reduction, housing, educational financing, and

infrastructure financing. The PIC used minimal ESG considerations in its investment decisions (Luvhengo, 2013). Active share ownership was a strategy used by the GEPF to force companies they invested in to adopt ESG principles. The GEPF launched its principles of responsible investment charter in 2010, which aligned with the PRI. The Government pension fund has influenced institutional investors since 2007, when it adopted the PRI, by asking about investors' PRI status as part of the tender application process. Thus, the South African Government, through the GEPF, has played a critical role in institutionalising the PRI in South Africa. In 2011, the GEPF allocated approximately USD 7 billion towards ESG investments (Giamporcaro, 2011; Giamporcaro & Viviers, 2014; UNEP, 2016). Despite these initiatives, most of the GEPF's investment portfolios are still exposed to industries with highly negative environmental impacts.

The Government is facilitating the transfer of new sustainable projects, such as Renewable Energy Independent Power Producer Programmes, to private sector funding, consequently liberating the Treasury's balance sheet and unlocking sustainable economic opportunities (National Treasury, 2021). This move enabled REIPPP to attract ZAR 202 billion from local and international private investors. The Government intends to integrate ESG responsiveness into provincial and municipal planning by issuing ESG guidelines on provincial medium-term expenditure frameworks. In regard to the same disposition, the South African Government launched the investor map, aimed at engaging the private sector in achieving its SDG objectives, such as poverty reduction, unemployment, and inequality reduction. The map assists investors in identifying investment opportunities in various sectors, offering sector insight and economic conditions that can yield the highest returns and social impact. In addition, the map shows how investors can allocate capital in the various sectors efficiently (ILO, 2022). As part of its efforts to combat the negative ecological footprint, the South African Government introduced the Carbon Tax Act (No. 15 of 2019). Under the Carbon Tax Act, large carbon emitters are required to report their greenhouse gas emissions and pay tax, which is a function of the sector and the relevant rebates.

The Government further issued regulations aimed at offsetting carbon emissions by taxpayers in November 2019, intended to encourage climate-positive ventures and drive financial institutions towards an orderly transition from high to low carbon investment financing. However, to effectively implement ESG, the Government must develop an all-encompassing national green policy and stop the Government's reliance on concessionary loans. Most sustainable projects are not commercially viable without Government intervention in the form of subsidies, due to their long payback period; thus, the Government intervenes and, during the process, makes the price of renewable energy cheaper than fossil energy. The Government has further implemented certain relevant incentives such as research and development tax incentives on green innovations, biodiversity conservation, a motor vehicle emissions tax, and fiscal allocations for sustainable projects to various departments (ILO, 2022).

The City of Johannesburg was the first municipality to issue a green bond in South Africa, and the bond was listed on the Johannesburg Stock Exchange (JSE) in 2014. This bond was aimed at financing biogas and solar geyser projects in Johannesburg. The City of Cape Town followed suit with an ZAR 1 billion green bond issuance aimed at financing the city's climate change strategy. In support of green financing, the JSE, in 2017, opened a green bond segment on the stock exchange and later upgraded it to a sustainability segment in July 2020. To date, the JSE has facilitated green financing bond issuance in regard to Growth Point (2017) and Nedbank (2019), with Nedbank listing its renewable energy ring-fenced green bond in 2019 (National Treasury, 2021). In support of ESG, the South African Reserve Bank became a member of the Network of Greening the Financial System in 2019, and registered banks are expected to report on their environmental and

social risks, although in an unspecified manner. Unfortunately, this results in diverse reports and makes it difficult for the regulator to understand the underlying portfolio or transaction risks or exposures related to a failure to achieve the SDGs. Traditionally, South African banks adopt the International Finance Corporation standards, which regrettably do not wholly support the valuation of climate risk (National Treasury, 2021).

Mines in South Africa are guided by the mining charter, which includes explicit ESG clauses. Section 2(8) of the mining charter deals with sustainable development and encourages mining corporations to implement kaizen environmental systems. The charter is an enforceable regulation, and noncompliance is dealt with under the Minerals and Petroleum Resources Development Act (MPRDA). Failure to comply with this Act may result in the suspension or cancellation of mining permits (Milazi, 2016).

Despite these laws, in 2012, 44 miners were killed during a housing protest that took place in the Marikana Platinum mine, owned by Lonmin. The company had failed to implement ESG pillars in its mining operations, especially the social aspects of ESG. In this instance, Lonmin was supposed to build a total of 5500 houses for its workers and had only managed to build three houses at the time; there were serious accommodation challenges within the mining area. Furthermore, Lonmin was being funded by four banks, namely IFC, Standard Bank, Investec, and First Rand Bank, listed on the JSE and members of the BASA and party to the Equatorial Principles, which includes clear ESG guidelines. Accordingly, Milazi (2016) recommended increased statutory regulations to counter the inadequacy of ESG implementation by mining corporations.

Nevertheless, Milazi (2016) observed that for successful statutory law implementation, there was a need for buy-in from all stakeholders to justify the need for regulation by the state. Banks, as financiers, if they are regulated in regard to ESG by hard laws, this can lead to an ESG implementation cascade to other economic sectors. The study further recommended that the SADC standardised the ESG regulations for banks financing mining operations within the region, adopt punitive laws that impose fines on firms for contradicting ESG principles, that central banks impose ESG policies and principles to be followed by banks, and that Governments collaborate with ESG standard-setting bodies in regard to bureaucrats' skills training to enhance capacity building and that awareness campaigns should be launched spearheaded by Governments.

The mining charter was introduced in 2002 by the MPRDA. In 2010, the charter was revised to include specific targets for the inclusion and participation of marginalised black South Africans. Charter III goes a step further in setting targets for social and economic justice in terms of marginalised communities. Nevertheless, it is silent on environmental issues. However, the charter has suffered from poor implementation. Bester and Groenewald (2021) observed that mining charter III was silent on ESG and sustainability issues and, interestingly, shifted the responsibility to the mining industry at the Government policy level. Nevertheless, charter III has a radical stance on social transformation. The National Environmental Management Act (NEMA) No. 8 of 2004 assists in regard to the protection of the environment. Section 28 of the NEMA states that firms have a duty of care for the environment, wherein firms are prohibited from acts of environmental degradation and are required to protect the environment. Mines are encouraged to carry out an environmental impact assessment (EIA) before commencing mining operations or closures.

South Africa is a member and signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and has submitted its Nationally Determined Contribution (NDC) to affirm its commitment to addressing climate change issues. The country formally endorsed the Paris Agreement in 2016 through Parliament. To achieve the Sustainable Development Goals, the South African Government launched the National Climate Change Response Policy (NCCRP), which aims to respond to and address climate change issues

in the country. For example, fossil fuel combustion accounts for 80% of greenhouse gas emissions, with 45% contributed by the electricity sector. South Africa is ranked 11th globally in terms of its production of a high amount of greenhouse gas (GHG) emissions. The Government recognises the significance of financial institutions in combating climate change through their resource mobilisation function, their ability to offer green deals, and their regular engagement with the industry (National Treasury, 2021).

In 1994, South Africa produced its first King Report, which was strongly influenced by the Cadbury Report from the UK. Despite this report being principle-based and not regulatory, the JSE adopted the report to become part of its listing requirements on a comply or explain basis, in 1995. The King II report was introduced in 2002, with a full chapter on sustainability. Sustainability, being a company's ability to integrate the triple bottom line principles, with sustainability being mirrored in regard to the African concept of ubuntu. The report encouraged the full disclosure of non-financial information by companies. The King II report was further institutionalised in 2004 when the JSE introduced the SRI index, wherein all listed companies included in the FTSE/JSE share index were included in the SRI index. This index was the first of its kind by an emerging economy and a stock exchange. In 2007, to ensure transparency in listed company ESG evaluations, the JSE partnered with the UK firm, Ethical Investment Research Services (EIRIS) (Giamporcaro & Viviers, 2014). The CRISA was introduced in 2011 to bind local investors to principles of responsible investment.

South Africa introduced the King III report in 2009, which aligned with international standards and took cognisance of the complex nature of South African sustainability reporting. The King III report highlighted the importance of ESG reporting in regard to corporate governance, as well as overall firm health. King III revealed the importance of sustainability in the 21st century, as shown by the natural environment, social, and political systems. The report was centred on an "apply and explain basis." This forced firms to comply with the report to ensure their credibility in the eyes of their investors (Maubane et al., 2014). The JSE, however, mandated compliance with the King III report as a listing requirement. Listed firms tend to report on the bare minimum requirements of the SRI to comply with the guidelines; still, Maubane et al. (2014) concluded that the JSE's SRI index should compel firms to disclose everything to ensure accountability and transparency in regard to the firm's activities. The last King Code IV report was introduced in 2016, with an emphasis on value creation in a sustainable manner. King IV further encouraged institutional investors to practice responsible investment and was further adopted as a listing requirement by the JSE.

In 2006, the Johannesburg Stock Exchange (JSE) launched the South Africa Social Investment Exchange, aimed at matching donor funds with development projects with high returns. This was the second exchange of its kind in the world. It was an online trading platform that assisted in promoting sustainable development projects in the country.

The Institute of Directors South Africa (IoDSA) introduced the Code for Responsible Investing in South Africa (CRISA) in 2011, and South Africa was the second country after the United Kingdom to formally mandate ESG considerations for investors in investment-making decisions. The CRISA is governed by six principles, aimed at promoting ESG integration. This code was introduced on an apply and explain basis and is a form of soft regulation. The CRISA was developed based on the United Nations Principles of Responsible Investment (PRI), which were established in 2006, wherein South African institutional investors are members and signatories (Andrew, 2020).

The increased demand for firm performance in regard to ESG in South Africa has forced listed companies to embrace and implement the JSE Socially Responsible Investment Index (SRI) guidelines (Maubane et al., 2014). The JSE SRI was launched in 2004, being

guided by both the GRI and the King II report. The SRI aims to identify firms that have applied the triple bottom line principles and good corporate governance in their operations. The sustainability index has enabled socially responsible investors to channel their resources into sustainable companies and has offered sustainable reporting guidelines to listed South African companies. The SRI considers the economic sector in which the companies operate, including the relative impact caused by the firm operating in that sector, and this introduces discrepancies into ESG reports. High-impact sectors (mining and material sectors) have reported more on the environmental pillar of ESG (Maubane et al., 2014). The SRI provides investors with sustainability ratings of firms annually and contributes to sustainable business practices in South Africa.

The United Nations principles on responsible banking also guide banks in South Africa, with three South African banks being founding members of this UN initiative, in 2019. In addition, the Banking Association of South Africa (BASA) adopted the principles on responsible investment. However, they are not mandatory conditions for membership in the association. South African banks are also governed by the Equator Principles, the UN Global Pact, the Dow Jones Sustainability Index, the UNEP FI, the UNEP Positive Impact Manifesto, and the principles for responsible banking, and various banks are members of these sustainability pacts. In line with these sustainability pacts, banks in South Africa have issued green bonds for renewable energy, worth ZAR 18 billion as of 2021, and have opened green credit lines for investors (National Treasury, 2021). The Reserve Bank of South Africa, as the regulator, became a member of the Network for Greening the Financial System, and has since published a working paper on climate change, in 2020.

Banks, as lenders, play a critical role in financing mining operations and, hence, have a significant influence on mining companies' ESG policies. Banks require mining corporations to furnish them with ESG information before dispensing loans, because mining has a negative ecological footprint in regard to both people and the environment. Guided by bank ESG policies and as signatories to the PRI, banks are expected to finance operations that have minimal ESG footprints (Milazi, 2016). The Bankers Association of South Africa introduced a Code of Banking Practice in 2012, aimed at guiding banks to conduct their business in a fair, accountable, and transparent manner, and to avoid inflicting harm on society through their lending operations.

South Africa was one of the early ESG disclosure advocates. However, to date, the country has yet to mandate ESG legislation. ESG reporting relies mostly on non-legislative rules, which revolves around the King Code, currently in its fourth iteration. Thus, the King Code is mandatory for all firms listed on the JSE, and this was an indirect private ordering as a result of a public–private interaction between the IoDSA and the JSE, a self-regulating entity (Ho & Park, 2019). It is evident that the South African Government has delegated the enforcement of the King Code to the JSE, insofar as the Government has allowed the JSE to regulate the ESG listing requirements without express statutory regulation that mandates it to do so. To improve ESG implementation, it was recommended that a prescriptive regulatory approach is adopted, as the voluntary approach has culminated in training workshops and advocacy.

Legislation, especially Regulation 28, has led to an improved understanding and discussions about ESG and an increase in responsible investments by investors. Investor engagements also increase due to regulation. Thus, the South African Government should craft more ESG legislation to curb ESG challenges in the country. The CRISA recommends that institutional investors create investment policies that facilitate the adoption of sustainability considerations in regard to their investment activities. Further, institutional investors are expected to publicly disclose the extent to which they have incorporated the CRISA principles and to explain why they have failed to adopt the principles (Cassim,

2022). Institutional investors use various strategies in regard to selecting their ESG investments. Some use the positive screening approach, others utilise the negative screening approach, and the negative screening approach is popular with Shariah-compliant funds, which exclude companies dealing with alcohol, a high degree of financial leverage, and interest income (Pretorius et al., 2010).

The King IV report and the CRISA are supported by hard laws, such as the Pension Act of 1956. The CRISA was established to provide additional guidance for South African institutional investors, with over 30 institutions joining as signatories when it was introduced in 2011 (Locke, 2023). The CRISA encourages active investor share ownership. Pension funds are supervised by the Financial Sector Conduct Authority (FSCA), which promotes adherence to the King IV report and Regulation 28. However, it has been noted that the FSCA struggles to effectively monitor ESG investments against Regulation 28, due to resource limitations (Locke, 2023). Regulations like the Insider Trading Act (1998) have helped the Financial Services Board (FSB) assert legal authority over rogue company management. The King III report is the only corporate governance code that recognises stakeholders as critical components in corporate governance and ESG implementation, emphasising the role of institutional investors. Climate change, interestingly, is an investment opportunity for investors. Investors can invest in companies that will benefit from the transition to low-carbon economies. Such investments have positive environmental outcomes (Burival, 2021).

The TCFD disclosure guidelines empower investors and facilitate the shifting of funds towards sustainable assets, such as green bonds aimed at financing investment projects, with positive climate or environmental effects. Regulation 28 encourages investors to consider ESG-related issues in investment decisions. Additionally, the Bankers Association of South Africa introduced the Climate Risk Steering Committee, chaired by the National Treasury of South Africa, aimed at providing ESG implementation support to the key recommendations put forward in the paper on Financing a Sustainable Economy published by the National Treasury (Burival, 2021). However, most South African companies, despite a knowledge of the climate-related risks, do not incorporate these risks into their strategies; only ten companies in South Africa apply the TCFD climate disclosure guidelines, with Sasol and Investec as two of the ten firms.

Burival (2021) recommended that the South African Government enact regulations to assist the financial sector in identifying, monitoring, and mitigating ESG risks at investment selection and transactional levels. Pension funds, by adopting the TCFD disclosure guidelines, can assess and comprehend climate risks specific to their investment portfolios, and, thus, are able to mitigate and make the best decisions for pensioners. The adoption of the TCFD guidelines will assist the South African Government, investors, and financial institutions in navigating transitional risks and shocks facing the country, as it heavily relies on fossil fuels. A majority of pension funds have investment policies that integrate ESG. However, only a small number of pension funds have policies that support green or climate change investments (Burival, 2021). Risk management and pressures from stakeholders, such as the media, have forced firms to report on climate risk in South Africa.

Responsible investment started in the 1970s with the formulation of the Sullivan Principles, which was an anti-Apartheid movement that encouraged divestment from South Africa by companies. Companies that failed to comply with the principles were blacklisted by institutional investors. This was a form of investor activism (Viviers & Els, 2017). However, research shows that these boycotts did not affect the relevant company's value (Aubry et al., 2020).

There was a total of ZAR 23.28 billion in SRI investments in 2009, which constituted 1.04% of the gross investment in South Africa. Responsible investment during this period

was driven by black empowerment policies, aimed at redressing social inequality through the BBBEE Act of 2003 (Giamporcaro, 2011). Interestingly, responsible investment was already in existence in South Africa in 1992, and it was estimated that 0.7% of assets were invested according to responsible investment principles in 2006 (Viviers et al., 2008). South Africa's socio-political history affected how investors made ESG investment decisions. Responsible investors in South Africa were influenced by deontological ethics and ethics of care in regard to their investment decisions, as opposed to the UNPRI, which downplayed the role of ethical and faith-based considerations (Viviers et al., 2008). Thus, responsible investment funds were mostly channelled towards social and developmental goals, and little attention was given to environmental issues.

The first responsible investment fund was launched in South Africa in 1992, but the growth in assets in relation to responsible investment funds has been limited (Viviers, 2014). There is a preference for impact and social investing due to regulations such as the BBBEE. An increase in private equity investors interested in environmental, social, and materials investments has been observed (Viviers, 2014). Institutional investors increasingly incorporate ESG into their decisions; however, improved guidelines are needed for integrating ESG into the decision-making process to meet international standards. Additionally, there is inconsistency among South African investors regarding how and when to incorporate material ESG information (Marais et al., 2022). Institutional investors should create internal responsible investment policies and develop ESG data systems to assist in collecting material ESG data, as per international standards like the PRI.

In 2008, a South African Network for Impact Investing was birthed, which was a dialogue platform for sustainable investment on the continent (Viviers & Els, 2017). However, South African institutional investor trustees were cautious about ESG investments, due to major losses from SRI investments in the late 1990s. Thus, at first, investors believed that socially responsible investments underperformed, and they could not risk investing in such asset classes. This misconception continued, even as institutional investors began to incorporate the Code for Responsible Investing in South Africa (CRISA) into their investment decisions. There was still a bias in the choice of investable companies, due to the profit motive and unstandardised ESG reports. However, the demand for ESG information by institutional investors forced investee companies to improve their sustainable business practices (Herringer et al., 2009; Ogbuka & Fakoya, 2016).

The amendment of Regulation 28 in 2011 forced pension funds to include trustee education, requirements concerning the BBBEE Act, and ESG in their investment decisions. The amended Regulation enabled pension funds to invest in alternative investments, such as private equity and hedge funds, thus making it easier to channel funds towards ESG projects (Viviers & Els, 2017). The fiduciary duties of pension funds include considering factors that might materially distress the long-term sustainable performance of pension funds, and this entails considering ESG risks and opportunities during the investment selection process. Most institutional investors believed that more stringent regulation could further improve ESG compliance in regard to retirement and pension funds.

South African institutional investors are signatories to the CRISA and the PRI, despite both being voluntary frameworks. However, Ogbuka and Fakoya (2016) observed that institutional investors were not applying ESG considerations in regard to their investment decisions, despite being signatories to the CRISA and the PRI. This failure to comply with the principles could be attributed to the non-mandatory nature of the principles. Thus, institutional investors are not under pressure to comply with the principles and only offer lip service to them, while investing in companies that are not environmentally friendly (Ogbuka & Fakoya, 2016). This was further supported by Pretorius et al. (2010), who observed that institutional investors' ESG investment criteria

were mostly focused on socially inclined trends, such as black empowerment, development, and infrastructure; the environment criteria received minimal consideration from investors. The absence of a long-term policy direction has also affected the transition to greener investment choices among institutional investors, despite the adoption of Regulation 28 and the CRISA (UNEP, 2016).

Most institutional investors have embraced the soft regulations, such as the King III report (2009) and the Financial Sector Charter (2003), and were resistant to mandatory compliance, such as amended Regulation 28, which initially proposed that at least 5% of pension fund resources be invested in ESG assets. Only a minority of investors were fearful of losing beneficiaries' funds due to implementing the proposed amended Regulation 28, and the rest were just fearful of the changes being brought in. When Regulation 28 was finally amended in 2011, the 5% requirement had been scrapped due to the outcry from institutional investors and was more aligned with the UNPRI regarding the fiduciary duties of institutional investors, which include value creation and the impact on long-term sustainability (Giamporcaro, 2011; Giamporcaro & Viviers, 2014). However, Andrew (2020) and Giamporcaro and Viviers (2014) observed an insignificant difference in returns between socially responsible investments and traditional investments in South Africa.

To ensure ESG implementation, directors should incorporate ESG indicators when assessing management risk-adjusted performance (Johnson et al., 2019). Institutional investors should use the CRISA and King IV guidelines when dealing with investee firms. Investors perceive well-governed firms to be less risky and, thus, require a lower expected return than when investing in a poorly governed firm. Thus, institutional investors in South Africa have emphasised the importance of corporate governance over ESG; however, this could be attributed to corporate scandals in South Africa during the period, such as the Steinhoff and Tongaat Hulett scandals (Andrew, 2020; Johnson et al., 2019). Investors pursuing responsible investments can positively influence the socio-economic development in the country, by engaging investee firms to incorporate their ESG preferences into investment decision making.

Investors should engage with investee firms on ESG issues. Marais et al. (2022) concluded that a standardised ESG integration framework using a top-down approach is needed for investors in South Africa. A total of ZAR 40 billion has been invested in green assets as of 2020, and a great chunk of institutional investors had incorporated ESG into their investment policies (IFC, 2020). The IFC expects ZAR 588 billion to be invested in climate-smart investments by 2030. Currently, there is increased demand for sustainable assets in South Africa; however, there are limited green investment opportunities available that meet the requirements of pension funds in the South African market. More than half of retirement funds are willing to divest from coal; however, it is crucial to consider the social implications, such as unemployment, that may impact the country as a result. Investors are open to divesting if there will be equivalent job creation in the green energy sectors of the economy.

Institutional investors currently have investments in both coal and renewable energy firms (IFC, 2020). Pension fund trustees are regularly trained to ensure that they can effectively integrate sustainable finance and ESG into their investment strategies. The Responsible Investment and Ownership Guide is updated regularly and is aimed at training trustees to carry out their fiduciary duties in terms of ensuring long-term sustainable investments (IFC, 2020). However, trustees still face challenges in quantifying the impact of their green investments, and the regulator is not actively monitoring green finance. A majority of pension funds in South Africa do not have a specific policy aimed at green finance, despite being active investors in sustainable products, such as renewable energy (IFC, 2020). ESG integration in regard to investments remains a

challenge, due to the poor quality of data received in regard to assets, the lack of ESG risk management guidelines, and insufficient information on the ESG risk mitigation role of trustees (IFC, 2020).

Investors are faced with an ESG information asymmetry challenge, due to unstandardised reports and the lack of a South African ESG rating agency (UNEP, 2016). Younger investors are more likely to drive the integration of ESG in their investments, and there has been an increase in demand for ESG information from institutional investors due to the Steinhoff corporate scandal that rocked the country in 2017 (Worthington-Smith & Giamporcaro, 2021). To improve ESG integration in regard to investments, institutional investors should hire ESG analysts to conduct internal ESG research. Investors should utilise the wealth of information being released by the PRI, CFA, TCFD, and other bodies to better understand and adopt ESG in regard to their operations. Top management buy-in is critical for successful ESG integration by institutional investors, especially from renowned industry leaders with influence in the investment sector. The introduction of the mining charter, Regulation 28, and the Carbon Tax Act are clear tools that show the country's commitment to ESG implementation; however, there is a need for a mandatory ESG integration framework to be used by institutional investors to enable industry-wide comparisons (Worthington-Smith & Giamporcaro, 2021).

The King II (2002) report identified investor inertia as the major reason behind the non-enforcement of breaches of the relevant obligations by managers and directors. There was a lack of shareholder activism in South Africa, and institutional investors and pension funds were largely dormant investors. The King III (2009) report further reiterated that the lack of institutional investor activism was attributable to global market failures. The need for institutional investor engagement, stated in the King III report, led to the creation of the Institutional Investors Code for Responsible Investing in South Africa (CRISA). While the King Code dealt with the duties and responsibilities of directors, the Code for Responsible Investing examined those who would invest in those companies and provided guidelines that they should follow in regard to their investment strategies (Foster, 2020). Thus, the CRISA complemented the corporate governance codes. Furthermore, the CRISA forced investor activism on institutional investors. The CRISA required institutional investors to consider not only the short-term returns on their investments, but also the long-term effects of incorporating environmental, social, and governance issues into their investment strategies.

Shareholder activism is low in South Africa, as most investors prefer private engagement with investee firms over confrontational strategies, such as proxy voting. Thus, only 6.6% of proxy votes were against resolutions tabled by 347 firms listed on the JSE in 2013. Firms excluded from the JSE SRI and firms with poor ESG disclosures faced more opposition from investors. Investor activism should be encouraged for successful regulatory reforms to take place (Viviers & Mans-Kemp, 2021; Viviers & Smit, 2015). However, there is an increase in the use of social media in South Africa by investors as part of shareholder activism. Investors use these platforms to air their views and concerns about the companies in which they invest. Social media amplifies the voice of investors as it gives them extraordinary visibility. The King IV report acknowledged the power of social media in regard to enhancing the transparency of firms. Companies, for fear of losing their credibility and market share, are quick to respond to shareholder activism (Mans-Kemp & Van Zyl, 2021).

The JSE, in 2020, due to the COVID-19 pandemic, launched a platform to enable listed companies to hold virtual annual general meetings. The platform allowed virtual voting by shareholders, and the system could accommodate a lot of participants concurrently. Such platforms allow minority shareholders to participate at minimal cost. However, Just Share, a South African investor activist organisation, believed that the use

of technology was justifiable as long as listed companies did not infringe on investors' rights and the Companies Act (Mans-Kemp & Van Zyl, 2021). Mans-Kemp and Van Zyl (2021) concluded that investor activism was gaining traction in South Africa due to the CRISA and the PRI, which forced institutional investors to consider ESG when scrutinising investee firms. However, to a greater extent, institutional investors in South Africa prefer to engage investee firms privately rather than engage in public activism. They viewed public investor activism as hostile and confrontational, and this could be attributed to the limited investment cosmos in the country, hence the need for investors to maintain good relations with firms. Also, most institutional investors believe that the cost of public activism outweighs the benefits they will acquire from their actions. Investors equate the cost of public activism with fighting for the public good (Mans-Kemp & Van Zyl, 2021). However, some institutional investors, to ensure transparency and adherence to the CRISA and the PRI, disclose their private engagements with investee firms in reports that are uploaded onto their firms' websites.

The lack of demand for sustainable products by investors has been a major impediment to ESG implementation in South Africa. This lack of interest is worse for environmentally positive products (Caporale et al., 2022). Institutional investors, despite their membership in regard to the CRISA and the PRI, have yet to start investing in long-term sustainable products on the JSE. This may be a reflection of the insufficiency of soft laws and the need for hard laws in order to effectively adopt ESG in the country (Ho & Park, 2019; Taplin, 2021). Caporale et al. (2022) further observed that in the absence of strict statutory regulations, firms pretend to comply with ESG, yet their investment decisions are independent of the ESG guidelines. Thus, camouflaging, pinkwashing, bluewashing, and greenwashing are prevalent, and this results in stock exchange inefficiencies.

Investors now consider ESG financial materiality in their decision making; this shift may lead to greater sustainability than when firms rely on traditional SRI practices. Responsible investment considers ESG issues at the heart of investment considerations. Regulation 28 demands that institutional investors consider ESG in their investment decisions, as opposed to the traditional SRI, wherein investments were screened based on their positive or negative ecological footprints. Trustees recognise that to account for all the variables that influence financial value, ESG issues must be included. Focusing on ESG issues in pension fund investment decision making diffuses the conflict between trustees' fiduciary duties and SRI activities. ESG materiality vests investors with the power to engage firms on ESG issues as long-term shareholders as opposed to share traders. Jongh et al. (2007) observed that most investors believed that responsible investing meant taking increased investment risks with low returns, and only a third of pension funds were aware of the PRI. On the other hand, the sustainable finance initiative is driven by private investors. Civic society organisations in South Africa, such as Just Share, have increased their ESG awareness campaigns. For example, Just Share reported that Pension fund trustees must consider climate risk in their investment decision making, otherwise they face the legal consequences for losses incurred from poor investment decisions (Burival, 2021).

Institutional investors demanded RI rather than retail investors and pension fund members. Investors demanded the consideration of social and governance issues more than environmental issues in RI by asset managers. Despite the knowledge and understanding of ESG, most investors were not applying responsible investment principles or had limited funds invested in responsible investment assets. Asset managers also stated that there was little formal demand for responsible investment assets from institutional investors' mandates. Stringent regulation, evidence of increased returns from responsible investment, pressure from investors, civil society organisation actions, and responsible investment

training were identified as important drivers in regard to ESG implementation. In 2007, 11% of ZAR 2.3 trillion assets were invested in responsible investments, with a lack of demand for responsible investment assets cited as the major impediment to the expansion of responsible investment assets (Jongh et al., 2007). The demand from institutional investors could be attributed to the fiduciary duty of philanthropy, wherein pension funds are supposed to invest at least 2.5% in high-risk, low-return investments to give back to society or meet FSC empowerment targets.

Despite interesting results, this study may have faced constraints, such as limited access to proprietary ESG data from institutional investors and companies, which restricts the depth of the analysis. Additionally, the dynamic nature of ESG regulations and market practices makes it difficult to capture the full impact of recent developments. Thus, future studies should seek collaborations with industry stakeholders to gain access to proprietary data. Longitudinal studies could help capture the evolving nature of ESG practices and their impact over time.

5. Conclusions

This study has addressed a critical research gap by examining the evolution, challenges, and current state of ESG implementation in South Africa, particularly within the context of institutional investment and regulatory frameworks. While South Africa has made significant strides in promoting responsible investment through policies like the BBBEE Act (2003), Regulation 28 (2011), and the King Codes, the reliance on soft laws and voluntary compliance has limited the effectiveness of ESG integration. The study highlights the tension between the country's socio-economic priorities, such as black empowerment and social justice, and the need for stronger environmental governance, especially given South Africa's status as one of the world's top greenhouse gas emitters. By identifying the gaps in ESG implementation, such as the lack of standardised reporting, insufficient investor activism, and the absence of mandatory ESG regulations, this research provides a foundation for future studies and policy interventions.

The research gap addressed in this study concerns the limited understanding of how South Africa's unique socio-political and economic context influences ESG adoption, particularly among institutional investors. While previous studies have explored ESG frameworks and their global applicability, few have focused on the challenges specific to emerging economies like South Africa, where social and developmental issues often overshadow environmental concerns. This study bridges this gap by analysing the interplay between regulatory frameworks, investor behaviour, and corporate practices, offering insights into why ESG implementation remains uneven, despite the existence of progressive policies.

This study underscores the importance of adopting robust ESG practices to attract investment and enhance firms' corporate reputation. Business owners can leverage the findings to improve their ESG reporting, align with international standards, and meet the growing demand for transparency from institutional investors. Entrepreneurs in sectors like renewable energy and sustainable development can use the insights provided to identify opportunities for green investments and partnerships, particularly in light of Government initiatives like the Renewable Energy Independent Power Producer Programme (REIPPP).

The research highlights the need for mandatory ESG regulations and standardised reporting frameworks to complement existing soft laws like the King Codes and the CRISA. Policymakers can use these findings to design more effective regulations that balance social, environmental, and governance priorities. The study also calls for increased capacity

building and resource allocation to regulatory bodies like the Financial Sector Conduct Authority (FSCA) to ensure effective monitoring and enforcement of ESG compliance.

The findings emphasise the financial materiality of ESG factors and the long-term benefits of integrating ESG considerations into investment decisions. Institutional investors can use the study to develop internal ESG policies, engage more actively with investee companies, and advocate for improved ESG disclosures. The research also highlights the role of investor activism in driving corporate accountability. Investors can adopt strategies such as private engagement and proxy voting to influence ESG practices, particularly in high-impact sectors like mining and energy.

Organisations like Just Share and the Raith Foundation can use the study to strengthen their advocacy efforts, particularly in promoting environmental and social justice. The research provides evidence-based arguments for the need to address issues related to climate change, inequality, and corporate governance. The study also highlights the potential of social media as a tool for amplifying investor voices and holding companies accountable in regard to their ESG commitments.

The mining sector, a significant contributor to South Africa's economy, can benefit from the study's recommendations concerning the need for stricter ESG regulations and capacity building. Mining companies can improve their sustainability practices by adopting international standards and addressing social issues, like worker welfare and community development. Financial institutions, as key enablers of ESG implementation, can use the findings to refine their lending criteria and promote sustainable investments. By demanding comprehensive ESG information from borrowers, banks can drive positive change across industries.

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Abbreviations

The following abbreviations are used in this manuscript:

ESG	Environment, social, and governance
PRI	Principles for responsible investing
CRISA	Code for responsible investing in South Africa
B-BBEE	Broad-based Black Economic Empowerment
IoDSA	Institute of Directors South Africa
JSE	Johannesburg Stock Exchange
SRI	Socially responsible investment
SSEs	Sustainable stock exchanges

Appendix A. Data Characterisation Screening Forms

	Assessment	Comments
1. Does the study Examine the roles of Government, regulators and investors in ESG implementation	Yes ☐ No ☐ Can't tell ☐	
2. Does the study describe research in English?	Yes ☐ No ☐	

Reviewer Decision:

- The study will be incorporated for further screening and assessment if the answer is "Yes" to both questions, i.e., 1 and 2.
- The entire study will be acquired for further evaluation and decision-making at this stage, if the answer is "Can't tell" for question 1.

Variable	Category	Explanation
1. Publication type	Journal article ☐ Book/Book chapter ☐ Thesis ☐ Report ☐ Conference Proceeding ☐ Other ..... (Specify)	
2. Author(s)/Year		
3. Country of data origin		
4. Study scope	**role of Gvt/regulator** ☐ **role of investors** ☐	
5. Does the study Examine the roles of Government, regulators and investors in ESG implementation	Yes ☐ No ☐ Can't tell ☐	
ONLY carry on if the answer to question 5 is "Yes"		

6. Key characteristics of the study

Title of the study	Aim of the Study	Literature adopted	Analysis	Findings	Conclusion

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