

# THEORETICAL VALUATION OF THE INFLUENCE OF CORPORATE GOVERNANCE AND SUSTAINABILITY ON LOW-COST HOUSING

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The paper delivers a theoretical analysis of corporate governance and sustainability on low-cost housing. One of the constraints faced by low-cost housing projects is poor governance, which should be the development prospective of a company whose directive is to refine the economic potential of the countries in the process of transformation. Literature is the main method to investigate the research problem. Published, unpublished papers and journals were accurately reviewed to find solutions to the subject matter. The study revealed that it is a prerequisite in terms of the National Environmental Management Act for National and provincial department to formulate an Environmental Implementation Plan for any building construction activities that will have an impact on the environment. Green and sustainable are terms filled on company yearly reports, but the question is whether the Corporate Social Responsibility is valued or well thought of or highly regarded. The paper will assist the industry to realise that the achievement of the company does not only rely on the compliance of legislation and standards, but also by a broad series of economic, environment and social problems in a manner that is useful to global society. Organizational sustainability is an established requirement with many obligatory conditions enforcing ISO 14001 and environmental standards to be adhered to. Refining environmental performance through efficient use of energy and resources intensifies the success of companies.

*Keywords:* Compliance, Community, Society, Economy.

## 1 INTRODUCTION

Principles of corporate governance requires companies to fulfill their commitment to the society where they work and being accountable for their activity in the general public. Companies must not only focus on generating profit but ensure their conduct impact the community they are working in (Naidoo 2009). The prosperity of a company must reflect the transition from unsustainable to sustainable development, that is eliminating waste and pollution while using less resources and producing more products and services.

This simply means that the success of a company does not solely depend on short- and long-term capital but also a lengthy period ecosystem and social capital (Rothaus N.D.).

Lately companies are recognised as the primary source of social, economic and environmental issues. Companies are broadly observed to be successful by compromising the need of the society at large (Porter and Kramer 2011). An incredible challenge to regular business strategies with its attention on shareholder returns have developed movements like globalisation, climate change, societal unfairness and demographic transition (Wales 2013). CSR is a methodology that stimulate corporate governance, which bring about sustainability, hence the social responsibility of a company raises financial income (Blaga 2013).

Low cost housing is a lengthy investment cycle that must be advantageous to its beneficiaries as far as comfort, quality, and life expectancy is concerned (Jenkin *et al.* 2007). A financially effective construction industry, improves environmental sustainability by ensuring low cost techniques of development that support best distribution of resources and minimise losses. Economical viability within the construction business s requires that: social and ecological cost are approved and registered in the final cost of an item, (du Plessis & Landman 2002).

## **1 LITERATURE REVIEW**

### **2.1 Corporate Social Responsibility and economic prosperity**

Social sustainability does not rely on high ecological quality alone. All things should be considered including differences, which are brought together in areas of poor environmental quality, which may go as reactants for social support connection (Dempsey *et al.* 2011). Furthermore, bringing the community together to examine and strongly express their rights (Carrasco and Bilal 2016). Where members of the community join together, activate and campaign around such issues and make their own accumulative voices heard. They develop social capital in their own attempt to address unfairness and enhance their quality of life on the environment on which they live (Kwon and Addler 2014). At the point when residents unite against issues such as restricted access to services, for instance, regional equity might be served when access to services are corresponding equally (Demsy *et al.* 2011).

Green and sustainable economy are terminologies congested on yearly reports of companies, but the question is whether the Corporate Social Responsibility is valued or well thought of or highly regarded. If the answer is positive, about five hundred organizations phase illustrating directorship in carbon disclosure produced two times the median profit as an overall index (O'Mara *et al.* 2012). The achievement of the organizations does not only rely on compliance of legislation and standards, but also by a broad series of economic, environment and social problem in a manner that is useful to the whole community and society internationally. An extensive illustrative model stated three definitions (triple bottom line or 3p – model) which can be recognized as people, planet and profit (Elkington 1998). The three P's in the context of Corporate Social Responsibility refers to combination of social, environmental and economic factors into business model and strategic management (Jones *et al.* 2006).

#### **2.2.1 The Constitution**

The Constitution of Republic of South Africa Act No. 106 of 1996 in terms of section 24 is the primary obligatory Act pertaining to the environment right, and it states that everyone has a right to an environment that is not harmful to their health and well-being. The Act further declares that in order to accomplish this right the Constitution must also make provision to take reasonable statutory and other means in terms of section 24 (b) to: Promote conservation,

secure ecologically sustainable development, use natural resources, and prevent pollution and ecological degradation while supporting substantial social and economic development (South African Government 1998).

**2.2.2 The National Environmental Management Act (No. 107 of 1998) (NEMA)**

NEMA is a regulation established in South Africa to enforce environmental rights. It contains the notion of sustainable development; it describes the incorporation of social, economic and environmental components into the organization to secure development that serves today and generation to come (South African Government 1998). It is a prerequisite in terms of the National Environmental Management Act (NEMA) for National and provincial department to formulate an Environmental Implementation Plan (EIP) for any building construction activities that will have an influence on the environment. A list of sustainable low-cost programs and projects undertaken by this plan is given in Table 1.

Table 1. Sustainable low-cost programs and projects undertaken by environmental implementation plan (The South African Human Rights Commission 2000 – 2002).

Department	Programs
<b>Departments of Environmental Affairs and Tourism, Health, Housing, Minerals and Energy, and Water Affairs and Forestry in collaboration with Department of Housing</b>	<ul style="list-style-type: none"> <li>• A green financing feasibility study which examines the development of a financing system to enhance environmentally efficient housing development.</li> <li>• A Cabinet resolution to promote energy efficiency in the housing sector.</li> </ul>
<b>Department of Housing and Non-Government Organizations</b>	<ul style="list-style-type: none"> <li>• Green Professional Program of Sustainable Homes Initiative - Impacting the design of round 60 000 planned housing units nationwide to promote energy efficiency.</li> <li>• A National Sustainable Housing Training Course and other capacity building initiatives by the Sustainable Energy Environment and Development (SEED) program.</li> <li>• Sowing round 57 000 trees with new subsidized homes through the Trees for Homes program and the establishment of a National.</li> <li>• Urban Greening Fund which will proceed to assist residential greening projects.</li> </ul>

**2.2.3 The environmental standard**

ISO 14001 standard is an accepted standard globally which outline obligations for Environmental Management System. The standard assists the company in enhancing environmental performance by minimising waste, effective utilisation of resources, acquiring credibility of associates, and competitive benefit (International Organization for

Standardization 2015). Environmental Management System is voluntarily accepted by the company under the ISO 14001 standard that incorporates effective reduction of environmental impacts (Directorate for Financial, Fiscal and Enterprise Affairs N.D.). The system gets audited at intervals to give the public a reasonable assurance that companies comply with the environmental standards.

The ISO14001 standard made a significant contribution which led to enhancement in water and air quality in Europe. The areas that were prominent leading contaminators of natural environment in Germany are the now good examples of clean environments. It is prerequisite for global businesses to fulfil the obligation of the standard (Ferguson 2014). The primary point in the Production of South African Standards and regulations is sustainable development, incorporated particularly in planning and housing policy (RSA, 1994). Currently, organizational sustainability is an established requirement with various mandatory prerequisites through survey enforcing environmental standards to be adhered to (Oke and Aigbavboa 2017).

### **3 METHODOLOGY**

The study is literature review to investigate theoretical valuation of corporate governance and sustainability on low cost housing. General literature review published, unpublished, online journals and magazines by other researchers on similar study was critically assessed to investigate the research problem. The study adopted qualitative approach to gather and assess relevant information on corporate governance and sustainability on low cost housing. Qualitative research design is concerned with individuals' own accounts of their attitudes, motivations and behavior. It offers richly descriptive reports of individuals' perceptions, attitudes, beliefs, views and feelings, the meanings and interpretations given to events and things, as well as their behavior (Hakim 2000).

### **4 FINDINGS FROM LITERATURE**

The literature revealed that triple bottom model known as the people, planet and profit comprises the integration of social, environmental and economic attributes into business aspects and good practice (Jones *et al.* 2006). Social sustainability should consider all elements that contribute to poor environmental quality, which may be a good response to promote social cohesion and not depend solely on ecological quality (Demsy *et al.* 2011). Low cost housing is a long term investment which must benefit beneficiaries in terms of comfort, quality and life expectancy (Jenkin *et al.* 2007). Businesses are currently viewed as the main causes of social, economic and environmental problems. Companies are neglecting the need of the broader society, but solely focus on profit (Porter and Kramer 2011). The main idea of sustainable development in the Production of South African Standards and regulations is extraordinarily included in planning and housing policy (RSA 1994).

Constitution of the Republic of South Africa is the regulatory framework regarding environmental rights. It states that everybody has the right to the environment that is not dangerous to their health and well-being. The success of a business must reveal the evolution from unsustainable to sustainable development by reducing waste and contamination whereas utilizing fewer assets and delivering more goods and services (Rothaus N.D.). It is a mandatory requirement to comply with environmental principles through assessments presently in organizational sustainability (Oke and Aigbavboa, 2017). Terms which are on businesses annual reports are green and sustainability, however the query is whether the Corporate Social Responsibility is treasured or well thought of or extremely considered

(O'Mara *et al.* 2012). The globally established standard which plans requirements for Environmental Management System is known as ISO 14001. It was designed to support businesses that improve environmental performance by reducing waste, effective use of resources, obtaining integrity of partners and competitive benefit (International Organization for Standardization, 2015). Regions that were primary polluters of natural environment in Germany are the now good examples of clean environments through the substantial influence of ISO14001 standard which resulted to improvement in water and air quality in Europe (Ferguson 2014).

According to Department of Housing 2001 – 2002, various sustainable low cost housing projects and programs were undertaken through Environmental Implementation Plan as an initiative, measure and compliance to impact lives of beneficiaries of low cost housing by:

- Influencing designs of about 60,000 houses to promote energy efficiency.
- Developing a financial system to enhance environmentally efficient and green low-cost housing projects.
- Planting trees to newly subsidised houses.
- Providing training courses on sustainable housing.

## 5 CONCLUSIONS AND RECOMMENDATIONS

Compliance to standards and legislative requirements forms the integral part of good corporate governance and sustainability on low cost housing and companies. Construction companies are obligated in terms of the National Environmental Management Act for national and provincial departments to formulate an Environmental Implementation Plan for any building construction activities that will have an influence on the environment. The constitution of the republic states that everyone has a right to an environment that is not harmful to their health and well-being. International companies are required to disclose any project that will have an environmental impact under the Carbon Disclosure Project.

The literature review revealed that the achievement of the organization does not only rely on compliance of legislation and standards, but also by a broad series of economic, environment and social problem in a manner that is useful to the whole community and society internationally. An extensive illustrative model stated three definitions (triple bottom line or 3p – model) which can be recognised as people, planet and profit. Currently, organizational sustainability is an established requirement with various mandatory prerequisites through the survey enforcing environmental standards to be adhered to. Therefore, it is highly recommended that construction companies should incorporate Environmental, Sustainability and Governance into their businesses, to ensure good business.

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