

# SUSTAINABILITY REPORTING DISCLOSURE PRACTICES AMONG BANGLADESHI COMPANIES IN LINE WITH GLOBAL REPORTING INITIATIVES

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## ABSTRACT

**Research aim:** The core objective of this study is to identify the nature and extent of sustainability reporting disclosure practices among Bangladeshi listed companies, in line with global reporting initiatives (GRI).

**Design/Methodology/Approach:** The content analysis method is used in this study to examine a total of 48 items, consisting of 17 environmental and 31 social disclosure items, in line with GRI. Data were drawn from the published annual reports of a sample of 51 listed companies for the financial year of 2016/2017.

**Research findings:** On average, 13.73% of the sample companies did not disclose any issue on sustainability reporting. The overall sustainability reporting index of these companies is 10.70% (environmental: 11.42% and social: 10.31%). The level of overall disclosure is low, with the Cement industry focusing on both social (21.18%) and environmental (14.19%) areas, the Textile industry mainly focusing on the environmental (17.06%) area, and the Bank industry mainly focusing on the social (25.16%) area. There is a paucity of disclosure of both social and environmental issues in Food & Allied and Pharmaceuticals & Chemicals industries. Companies are reluctant to disclose issues related to emission, effluent, waste, and compliance under the environmental dimension, and human rights and social performance indicators under the social dimension.

**Theoretical contribution/ Originality:** Several studies have been conducted on either corporate social reporting or environmental reporting, but there is a dearth of an integrated investigation into the level of sustainability reporting practices in Bangladesh. This study enumerates the sustainability reporting practices in Bangladesh based on the most recognised global non-financial reporting standard, namely GRI.

**Practitioner/ Policy implication:** With the growing awareness among stakeholders and the initiatives taken by regulators, there might be an increasing trend in sustainability reporting practices. This study is expected to contribute to the introduction of more regulatory requirements for a comprehensive framework on sustainability reporting.

**Research limitation:** This study focuses on only quantity and not quality in preparing the disclosure index and considers only one period.

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## 1. Introduction

Bangladesh was the seventh most affected country in terms of the Climate Risk Index (CRI), as per Global CRI 2019 (Molla, 2019). The Environmental Performance Index (EPI) 2018 ranked Bangladesh as the second-worst country in curbing environmental pollution (Environmental Performance Index, 2018). Further, in 2019, the Air Quality Index ranked Dhaka as one of the most polluted capitals in the world (Air Quality Index, 2019). As a result, the term *sustainability* has gained immense importance and become a burning issue in Bangladesh. Bangladesh, a developing country, is also facing environmental degradation issues due to the adverse effects of industrial activities (Ullah et al., 2013).

The concept of *sustainability* or *sustainable development* is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987, p. 37). It denotes the corporate activities to sustain and enhance the ability of the organisation to create a long-term value. The activities and interrelationships among stakeholders of the organisation may have a positive or negative impact on sustainable development. At present, stakeholders demand information that portrays a holistic view of the company, encompassing financial and non-financial dimensions.

Due to globalisation and intense competition, companies need to meet the expectations of diverse stakeholders to sustain their business in the long term. Sustainability has taken centre stage after the United Nations declared the Millennium Development Goals (MDG) by 2000, which include ensuring environmental sustainability (goal 7 of the MDG). Moreover, Sustainable Development Goals (SDG) introduced in 2015, which are to be achieved by 2030, have several goals directly related to social and environmental issues. In developed countries, many banks have demonstrated their commitment to global sustainability by providing environmental risk financing, adopting recycling programmes, focusing on energy efficiency, purchasing carbon offsets, and sponsoring environmental events (Habib et al., 2011). Developing countries also consider these issues (Belal & Owen, 2007; Rowe & Guthrie, 2010), but the levels of practice are not satisfactory due to poor implementation of existing laws and policies, inadequate pressure by civil society, and a lack of incentives.

Bangladesh has formulated national-level objectives, goals, and strategic plans on environmental sustainability in order to meet the global agenda.

Building a greener future starts today with every small green step (Hossain & Rahman, 2013). Hence, the objective of this study is to identify the nature and extent of sustainability reporting disclosure practices by Bangladeshi firms, in line with Global Reporting Initiatives (GRI). The most comprehensive global frameworks for non-financial reporting are GRI, Accountability Standard, ISO 26000, and Integrated Reporting (Boyko & Derun, 2016). However, this study only considers the GRI as it is the most preferred for the three pillars of sustainable development, i.e., economic, social, and environmental performance (Hohnen, 2012) and the most successful in promoting the practice of sustainability reporting, particularly among Asian and South American companies (Barkemeyer et al., 2015).

Sustainability reporting benefits organisations both internally and externally. Understanding risks and opportunities, linking financial and non-financial performance, and a lower cost of capital are the internal benefits of sustainability reporting. Mitigating negative social and environmental impacts, increasing branding and goodwill, and meeting the expectations of external stakeholders by focusing on the intangibles are some of the external benefits of sustainability reporting. Previous studies in the context of Bangladesh (e.g., Halder, 2015; Banerjee et al., 2017; Islam & Ahmed, 2012) did not base their examination on the GRI standard. To fill this gap, the present study seeks to identify the nature and extent of sustainability disclosure practices by considering the GRI framework and focuses mainly on the core areas of environmental and social aspects.

This paper is structured as follows. While Section 2 focuses on the theoretical framework for sustainability reporting, Section 3 provides a discussion of the literature review. Next, Section 4 explains the research methodology and Section 5 identifies the status of sustainability reporting. Section 6 focuses on findings and analysis, and finally, Section 7 concludes the paper.

## **2. The Theoretical Framework for Sustainability Reporting**

Sustainability reporting is an emerging concept across the world. It is a dynamic view of measuring a company's degree of social responsibility, economic value, and environmental impact in an integrated way by incorporating three areas of performance: social (for people), financial (for profit), and environmental (for the planet). Sustainability reporting is positively linked to a company's market value (Loh et al., 2017), expected to entice investors and analysts to provide better analyses (Aman et al., 2015), and needed to legitimise companies' position within society (Nor et al., 2016). Sustainability reporting is the consequence of companies' historical financial results; however, it goes beyond financial reporting to provide useful information to investors.

The term *sustainability reporting* is also referred to as corporate social responsibility (CSR), triple bottom line (TBL), and integrated reporting (IR). CSR refers to the voluntary actions taken by a company to address the economic, social, and environmental impacts of its business operations and the concerns of its principal stakeholders (Christensen et al., 2007). TBL expresses the idea that companies or other organisations create value in multiple dimensions, i.e., economic, social, and environmental (Elkington, 2006). IR provides information about an organisation's strategy, governance, performance, and prospect in the economic, social, and environmental contexts, and it leads to the creation of value over the short, medium, and long term (International Integrated Reporting Council [IIRC], 2011, p. 2).

Today, stakeholders look at issues beyond the financial aspects in evaluating the performance and predicting the prospects of an entity (Hossain, 2017). Therefore, companies are to think about profit, people, and the planet in conducting their business. Initially, sustainability reporting was focused on the environment, but its scope has since been broadened to include ethical/social issues, employee treatment, community involvement, and the organisational structure to control all these aspects (Kolk, 2008).

Several theories can support the practice of sustainability reporting, especially by focusing on the social and environmental dimensions as a voluntary disclosure. According to agency theory, shareholders will seek to control managers' behaviour through bonding and monitoring activities. The level of disclosure is used by these two parties to mitigate information asymmetry (Healy & Palepu, 2001). Managers will divulge social information if it enhances their welfare, as long as the benefits of this disclosure outweigh its associated costs (Ness & Mirza, 1991). Companies that provide sustainability information will receive favourable perceptions regarding their corporate governance. According to signalling theory, companies can utilise information disclosure as a signal or mechanism that provides the market with additional information about the companies' economic reality so as to influence investor expectations and reduce information asymmetries (Baiman & Verrecchia, 1996). Companies may also try to use disclosure to keep pace with other companies operating in the same industry.

Managers of profitable companies increase the level of disclosure to signal to investors about their companies' profitability and uphold their continuation and compensation (Oyeler et al., 2003). Based on resource dependence and stakeholder theories, companies must meet stakeholders' expectations in order to gain access to critical resources (Freeman & Reed, 1983) and maintain the contractual relationship (Erdiaw-Kwasie et al., 2017). Legitimacy theory asserts that voluntary disclosure occurs because of public pressure. Moreover, organisations with poor environmental credentials would provide more

extensive positive environmental disclosures in an attempt to annul the offensive activity (Cho & Patten, 2007).

Organisations will always seek to be good corporate citizens by disclosing their activities that have favourable impacts on the environment or minimise damage to the environment, thereby demonstrating their legitimacy to stakeholders (Dawkins & Ngunjiri, 2008). According to Lawrence Kohlberg (1981), there are three levels of moral development. At the first level, people live and act according to established social norms; at the second level, they seek approval from others through their behaviour; and at the third level, they understand the universal principle and develop autonomous decision making based on internal perspectives of right or wrong, ethics, and others, rather than any external influence. Thus, organisations decide to use corporate social reports to fulfil their obligations under the law (Boyko & Derun, 2016). Carroll's pyramid of CSR may mirror Kohlberg's theory: organisations' fundamental responsibilities are financial (to be profitable), then legal (to obey laws and regulations), then ethical (to do what is just and fair), and finally, philanthropic (to be a good corporate citizen) (Carroll, 2016).

### **3. Literature Review**

Sustainability has emerged as a pressing issue in recent years. However, most of the previous studies were conducted in the context of developed countries (Belal, 2001). After the introduction of the CSR guidelines in 2013, disclosures increased from 58.9% to 62.68% in Pakistan (Lone et al., 2016). In India, most companies disclose sustainability/CSR information in standalone reports and show a constructive change in the mode of disclosures (Jain & Winner, 2016). The average word count in sustainability reporting has been showing an increasing trend from the year 2012 (2264 words) to 2015 (3039 words) in Sri Lanka (Dissanayake et al., 2019). Orazalin and Mahmood (2019) found that standalone reporting, reporting language, profitability, size, and auditor type influenced the nature, extent, and quality of sustainability reporting among Kazakhstani companies for the years of 2013–2015.

Several studies have been conducted on either corporate social reporting or environmental reporting, but there is a paucity of studies on the level of sustainability reporting in Bangladesh that looked at both social and environmental contexts. Disclosure of environmental-related information in annual reports was initiated in the 1970s and expanded in the 1990s (Kokubu et al., 2002). Before the 1990s, there was no specific evidence of the disclosure of environmental-related information in annual reports by any listed company on Dhaka Stock Exchange (DSE) (Shil & Iqbal, 2005). Belal (2000) examined 30 annual reports for the year 1996 and discovered very limited environmental disclosure in those reports. A summary of past studies on voluntary disclosures is presented in Table 1.

Table 1: Summary of prior studies in the context of Bangladesh

Study	Sample	Time Period	Methods	Results
Azim, Ahmed, and Islam (2009)	263 companies listed on the DSE	From July 1, 2006 and June 30, 2007	Content analysis (Empirical Study)	Only 15.45percent of listed companies disclosed CSR and 84.55percent having no disclosure.
Khan, Islam, Fatima, and Ahmed (2011)	12 commercial banks listed DSE	2008/2009 Annual reports	Content analysis (Empirical Study)	Banks focused mainly on information on society but rather absent in reporting product responsibility and human rights.
Saha, Dey, and Khan (2013)	6 banks	2010/2011 Annual reports	Content analysis (Empirical Study)	The level of contribution by banks to CSR activities was very insignificant in proportion to profit.
Islam and Ahmed (2012)	30 listed banks	2010/2011 Annual reports	Content analysis (Empirical Study)	Banks disclosed information related to social (42percent), employees (44percent) and environmental (12percent) in their annual report but they did not follow any consistent methods of the disclosure.
Belal and Cooper (2011)	23 companies.	-	23 interviews from corporate seniors	Due to lack of resources, legal requirements, awareness, the profit imperative, poor performance and the fear of bad publicity, the key areas of CSR like child labour, equal opportunities, and poverty alleviation were deficient.
Ullah, Hossain, and Yakub (2014)	29 listed textile firms	Annual reports of 2012	Content analysis (Empirical Study)	Two-third of the sample companies did not disclose environmental issues and on average disclosure was very poor.
Nurunnabi (2016)	71 annual reports	annual report of 2010-2011	32 semi-structured interviews (Legitimacy theory)	On average 2.23percent Bangladeshi firms disclosed climate change information in the annual report. Large companies more disclosed due to legitimacy reasons. Lack of accountability and regulation are main reasons for low disclosures.
Dey, Nakib and Dutta (2017)	88 listed companies	Annual reports of 2014	Content analysis (Empirical Study)	58% of companies reported at least one issue on climate change and global warming. 4 out of 17 industries having no disclosures.
Das (2017)	123 companies 861 firm years	Annual reports from 2004 to 2010	Content analysis and regression analysis (Empirical Study)	The average voluntary disclosure was 28.60% and firm sizes, liquidity, percentage of independent directors were motivating forces for disclosures.

Table 1: *Continued*

Study	Sample	Time Period	Methods	Results
Islam and Chowdhury (2016)	30 listed banks	Annual reports from 2014	Content analysis (Empirical Study)	In Bangladesh, the banking sector disclosed general information (66%) more than the specific aspects (17%) and the overall disclosure level was at a poor level (36%) in terms of the sustainability approach of GRI.
Masud, Bae, and Kim (2017)	20 listed banks	Annual reports from 2010 to 2014	Content analysis (Empirical Study)	Banks focused on the information for green banking and renewable energy categories while they were reluctant to disclose environmental recognition and waste management categories and yearly comparison revealed that the level of disclosure increased sharply from 16% in 2010 to 83% in 2014.
Malik, Mamun and Amin (2019)	30 listed banks	Annual reports from 2002 to 2012	Content analysis and regression analysis (Empirical Study)	Competition among the banks on social issues for ethical reason will benefit all the stakeholders and CSR spending increased both current and future profitability.

Following the introduction of green banking by Bangladesh Bank in 2011, banks have started reporting their green banking activities, albeit inconsistencies in reporting due to the absence of standardised reporting guidelines (Hossain et al., 2016). Among the commercial banks in Bangladesh, the practice of reporting sustainability based on the GRI guidelines is also a recent phenomenon. GRI, a non-profit organisation, is the pioneer in global sustainability reporting. This independent international organisation is based in Amsterdam, the Netherlands and has been issuing GRI Sustainability Reporting Standards since its inception in 1997. GRI issues standards that lead to efficient and effective reporting by organisations.

The current sustainability reporting practices by the banking sector in Bangladesh do not consider issuing separate sustainability reports; rather, the sustainability reports are included in the annual reports (Mahmud et al., 2017). Not many companies issue the sustainability reports, and Bangladesh adopted sustainability reporting relatively late compared to other countries (Khan et al., 2011). Most of the previous studies (e.g., Azim et al., 2009; Islam & Chowdhury, 2016; Islam & Ahmed, 2012; Dey et al., 2017) did not cover the global standards on sustainability reporting in an integrated way based on GRI guidelines, which are to include both social and environmental issues. Therefore, the current study aims to fill this gap by identifying the nature and extent of sustainability reporting disclosure practices in line with GRI among Bangladeshi companies listed on DSE.

## **4. Research Methodology**

### **4.1. Sample Selection**

There are a total of 22 sectors listed on DSE, but only five sectors are included in this study. The selected sectors are Textile, Cement, Food & Allied, Pharmaceuticals & Chemicals, and Bank as these industries contribute the most to the economic development of Bangladesh. Banks are leading in the disclosure of corporate social activities, social and environmental reporting, and sustainability reporting (Dissanayake et al., 2019). The rationale for selecting the manufacturing industries is that manufacturing activities gradually worsen environmental hazards such as global warming; biodiversity degradation; and air, water, soil, and marine pollutions. A total of 51 companies listed on DSE were selected for this study (Appendix 02).

### **4.2. Selection of Period**

This study selected the annual reports of 51 companies listed on the Dhaka Stock Exchange (DSE) for the financial year of 2016/2017. The rationale for selecting this financial year is to ascertain the initiatives taken by listed companies in Bangladesh after the SDG declaration in 2015 by the United Nations, of which Bangladesh is a member.

### **4.3. Data Sources**

This study adopted the descriptive research method and used secondary data. Published annual reports were chosen as the principal source of data because annual reports are readily available, accessible, and a popular means of communication to stakeholders.

### **4.4. Content Analysis**

This study performed content analysis as it is one of the most used and effective techniques for social and environmental research (Guthrie & Abeysekera, 2006). The sustainability reporting index was prepared based on the GRI guidelines for content analysis. GRI 3.1 was used even though GRI 4, which became effective from July 2018, is the latest version. Out of the 250 largest companies worldwide, 93% reported their sustainability performance and 82% used the GRI (Halder, 2015). The GRI framework is considered the most wide-ranging among the frameworks (Willis, 2003); it is widely used as an underlying framework for the coding structure for the content analysis of annual reports in both developed and developing countries' context. Out of the total of 41 items in the disclosure index, 17 items are on core environmental performance (grouped under seven themes) and another 31 contents are on core social performance (grouped under four themes).



#### 4.5. Calculating the Disclosure Index Scores

Various approaches are available for calculating the scores regarding the extent of voluntary disclosure practices by organisations. The un-weighted disclosure index was selected for this study as it considers all types of information as equally important to the average users (Saha & Akter, 2013). This index was used to identify the nature and extent of sustainability reporting disclosure practices. If a company provided content on a sustainability reporting indicator in its annual report, it was given the score of “1” and “0” otherwise (Rouf & Harun, 2011).

$$TD = \sum_{i=1}^n d_i$$

Where,  $d = 1$  if item  $d_i$  is disclosed,  $0 =$  if the item is not disclosed,  $n =$  number of items. Then disclosure index is calculated by total disclosure in annual report to total number of items included in disclosure index.

#### 5. Status of Sustainability Reporting

The history of sustainability reporting can be traced back to as early as the 1960s and 1970s in Europe, but a proactive effort was made through the Global Reporting Initiatives (GRI) in 1997 in collaboration with United Nations Environment Programme (UNEP). Denmark adopted sustainability reporting in 1996, followed by Finland in 1997 and the Netherlands and Norway in 1999 (Pramanik et al., 2008). Sustainability reporting gained momentum in the USA after the Brundtland Report was issued, with the Environmental Protection Agency and the Securities Exchange Commission pioneering its adoption. Among the Asian countries, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, and Thailand encouraged sustainability disclosures. The government of Bangladesh had enacted laws regarding the environment, such as the Bangladesh Environment Conservation Act, 1995 and the Environment Conservation Rules, 1997. In addition, the Bangladeshi government had formulated the National Environment Policy and the National Environmental Management Action Plan (NEMAP) to promote sustainability practices.

However, the reporting practices of Bangladeshi listed companies are primarily governed by the Companies Act, 1994; Bangladesh Chartered Accountants Order, 1973; Securities and Exchange Commission Rules, 1987; Bank Company Act, 1991; Securities and Exchange Ordinance, 1969; Bangladesh Accounting Standards; Bangladesh Financial Reporting Standards; and the Income Tax Ordinance, 1984. All of these laws do not prescribe any mandatory periodical environmental disclosure (Ahmad, 2012). Bangladesh

Bank, as a regulator of financial institutions, has issued comprehensive guidelines on corporate social responsibility (CSR), adopted a comprehensive green banking policy, and introduced environmental risk management (ERM) policies into the existing credit risk management procedures to protect the vulnerability to environmental degradation and to contribute to social welfare. Banks are given tax exemption on 10% of corporate income to be spent on some specific corporate social responsibility activities. Therefore, though sustainability reporting is not yet mandatory in Bangladesh, it may be adopted voluntarily by banks or any other sector in order to adopt the reporting practices that keep pace with globalisation.

Table 2 shows the sustainability reporting by organisations in different regions of the world. As per the GRI database, a total number of 49,984 reports were prepared by 12,202 organisations worldwide from 1999 to 2018. Most of the organisations and reports were from Europe (18,330 reports by 4,044 organisations), whereas the region with the fewest reports and organisations is the Oceania region (1,677 reports by 384 organisations). About 30% of the reports were published by organisations in the Asia region.

Table 2: Sustainability Reporting Organizations in the World (From 1999 to 2018\*)

Serial Number	Regions	Reporting organizations		Published reports	
		Number	Percentage	Number	Percentage
A	Africa	628	5	2,959	6
C	Asia	4,334	35	15,102	30
D	Europe	4,044	33	18,330	37
E	Latin America and the Caribbean	1,577	13	6,426	13
F	Northern America	1,235	10	5,490	11
	Oceania	384	3	1,677	3
Total		12,202	100	49,984	100

Note: \*Year of publication of the report, reporting year will be the preceding year

Source: <http://database.globalreporting.org/search/>, accessed on October 14, 2018

Table 3 presents a summary of the organisations in the South Asian Association for Regional Cooperation (SAARC) countries that made sustainability reporting disclosures. The table shows that 534 organisations had prepared 1,386 reports from 1999 to 2018. However, none of the organisations is from Afghanistan, Bhutan, Maldives, or Nepal. The country with the highest number of reporting organisations is India, with a total of 400 organisations and 984 reports. In Sri Lanka, 78 organisations had published 206 reports; whereas in Pakistan, 23 organisations had published 84 reports. In the case of Bangladesh, 33 Bangladeshi companies had published 113 sustainability reports from 1999 to 2018.

Table 3: Reporting Organizations in SAARC Countries (From 1999 to 2018\*)

Serial Number	Regions	Reporting organizations		Published reports	
		Number	Percentage	Number	Percentage
A	Afghanistan	0	0	0	0
B	Bangladesh	33	6	113	8
C	Bhutan	0	0	0	0
D	India	400	75	984	71
E	Maldives	0	0	0	0
F	Nepal	0	0	0	0
G	Pakistan	23	4	84	6
H	Sri Lanka	78	15	206	15
Total		534	100	1,386	100

Note: \*Year of publication of the report, reporting year will be the preceding year

Source: <http://database.globalreporting.org/search/>, accessed on October 14, 2018

Table 4 portrays the status of sustainability organisations in the SAARC countries in only the year of 2018. A total of 25 reports were published by 24 Indian organisations, two reports by two Pakistani organisations, six reports by eight Sri Lankan organisations, and seven reports by seven Bangladeshi organisations, as shown on the GRI website. During the year of 2018, a total 567 sustainability reports was published by 565 organisations while only 7% was contributed by SAARC.

Table 4: Sustainability Reporting Organizations in SAARC Countries (Only in 2018\*)

Serial Number	Regions	Reporting organizations		Published reports	
		Number	Percentage	Number	Percentage
A	Afghanistan	0	0	0	0
B	Bangladesh	7	18	7	18
C	Bhutan	0	0	0	0
D	India	24	62	25	63
E	Maldives	0	0	0	0
F	Nepal	0	0	0	0
G	Pakistan	2	5	2	5
H	Sri Lanka	8	21	6	15
Total in SAARC		39	7% of Asia	40	7% of Asia
Total in Asia		565	38% of Global	567	38% of Global
Total around the world		1,483		1,491	

Note: \*Year of publication of the report, reporting year will be the preceding year

Source: <http://database.globalreporting.org/search/>, accessed on October 14, 2018

## 6. Analysis and Findings

This section mainly focuses on the existing disclosures practices by Bangladeshi companies in their annual reports. Figure-1 exhibits that 86.27% of the selected Bangladeshi companies made sustainability reporting disclosures in at least one item or category in their annual reports and the remaining 13.73% did not make any sustainability reporting disclosure. Moreover, most of the companies

in the Bank and Cement sectors made sustainability reporting disclosures in their annual reports or sustainability reports in accordance with GRI guidelines. However, seven companies, consisting of one company from the Textile industry, three companies from the Pharmaceuticals & Chemicals industry, and three companies from the Food & Allied industry failed to provide sustainability reporting information.

On specific disclosures related to the environment, Figure 1 shows that 76.47% of the sampled companies disclosed at least one environmental-related item or category. The remaining 23.53% that did not make such disclosure consisted of 12 manufacturing firms, of which two were from the Textile industry, seven were from the Pharmaceuticals & Chemicals industry, and three were from the Food & Allied industry. On social-related disclosure, 70.59% of the sampled companies disclosed at least one item or category on the social aspect, but 29.41% of the companies failed to do so. The companies that did not make such disclosure consisted of 15 manufacturing firms, of which eight were from the Textile industry, four were from the Pharmaceuticals & Chemicals industry, and three were from the Food & Allied industry.

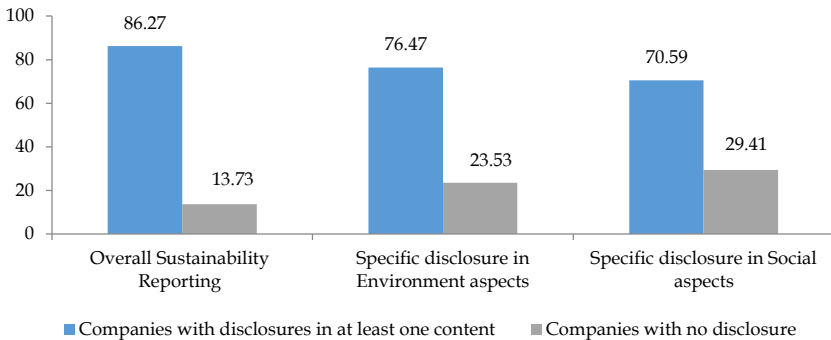


Figure 1: Overall Sustainability Reporting Disclosures by the Bangladeshi companies  
 Source: Analyzed by the Authors

Table 5 shows that the overall sustainability reporting index for the companies is 10.70% (11.42% for environmental disclosure and 10.31% for social disclosure). Figures 2 and 3 show that the sustainability reporting indexes of Textile, Cement, Food & Allied, Pharmaceuticals & Chemicals, and Bank sectors are 9.38%, 16.67%, 3.82%, 5.42%, and 19.79%, respectively. The Cement industry made disclosures for both social (21.18%) and environmental (14.19%) areas, but the Textile industry mainly disclosed on the environmental aspect (17.06%) while the Bank industry mainly disclosed on the social aspect (25.16%). Overall, the level of disclosure is low, with inadequate disclosures on

both social and environmental aspects in Food & Allied as well as Pharmaceuticals & Chemicals industries. Within the Bank industry, Bank Asia Limited, Mutual Trust Bank Ltd., Eastern Bank Limited, and Prime Bank Limited mentioning GRI standard in their annual sustainability reports, but BRAC Bank Limited and South East Bank did not cite GRI.

Table 5: Overall disclosure index on environmental and social aspects

Performance Indicator	Required Disclosure	Actual Disclosure	Disclosure Index
Environment	867	99	11.42%
Social	1581	163	10.31%
Total	2448	262	10.70%

Source: Compiled by authors

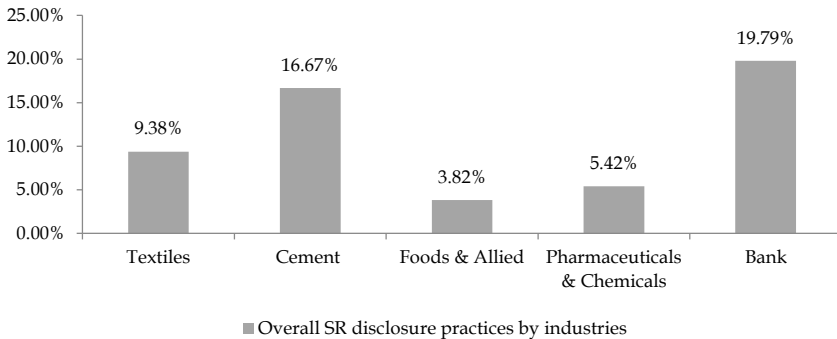


Figure 2: Overall SR disclosure practices by industries

Source: Compiled by authors

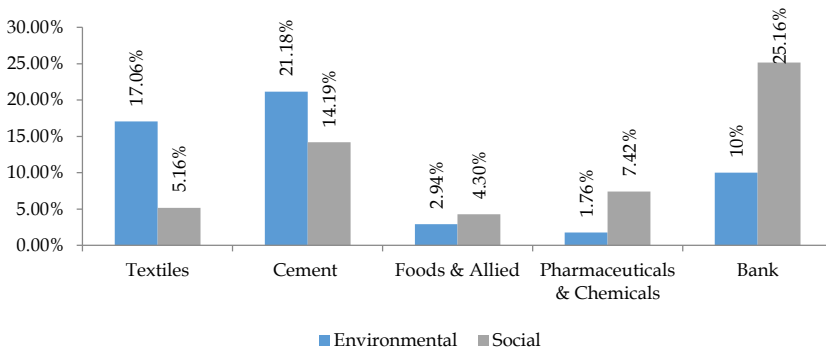


Figure 3: Percentage of industry wise disclosure of environmental and social aspects.

Source: Compiled by authors

Table 6 and Fig. 4 show the disclosures for the main themes under the environmental dimension: Material (24.5%), Energy (19.6%), Water (13.73%), Biodiversity (28.43%), Emissions, Effluents and Waste (1.68%), Products and Service (11.76%), and Compliance (0%). Companies are reluctant to disclose issues related to emission, effluent, and waste, as well as compliance. The disclosure on Material is dominated by Textile and Cement industries; Energy is dominated by Textile, Cement, and Bank industries; Water is dominated by the Textile industry; and Biodiversity and Product and Services are dominated by Cement and Bank industries. However, the Emissions, Effluents, and Waste theme and the Compliance theme are ignored. Overall, the environmental disclosure is not satisfactory even though companies from Textile and Cement industries disclosed some of the environmental aspects.

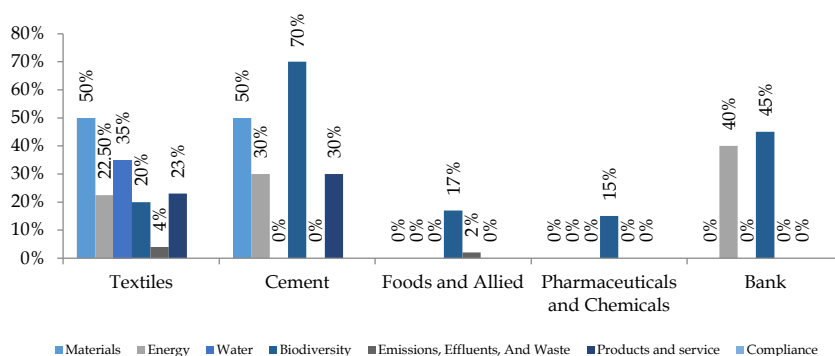


Figure 4: Specific disclosures on Environment aspects by Industry  
Source: Compiled by authors

Table 6: Overall specific disclosures on Environment aspects

Themes	Required disclosures	Actual Disclosures	Disclosures Index
Materials	102	25	24.51%
Energy	102	20	19.61%
Water	51	7	13.73%
Biodiversity	102	29	28.43%
Emissions, Effluents, and Waste	357	6	1.68%
Products and service	102	12	11.76%
Compliance	51	0	0%

Source: Compiled by authors

Table 7 and Fig. 5 depict the disclosures by companies according to the themes under the social dimension: Labour Practices and Decent Work (17.84%), Human Rights (4.58%), Society (5.15%), and Product Responsibility

(15.20%). Companies seem reluctant to disclose the human rights and social performance indicators under the social dimension, with disclosure on the Human Rights theme scoring the lowest. Meanwhile, Labour Practices, Society, and Product Responsibility themes are dominated by Bank and Cement industries. In this study, it is apparent that Textile, Food & Allied, and Pharmaceuticals & Chemicals industries are very reluctant to disclose information on social performance indicators.

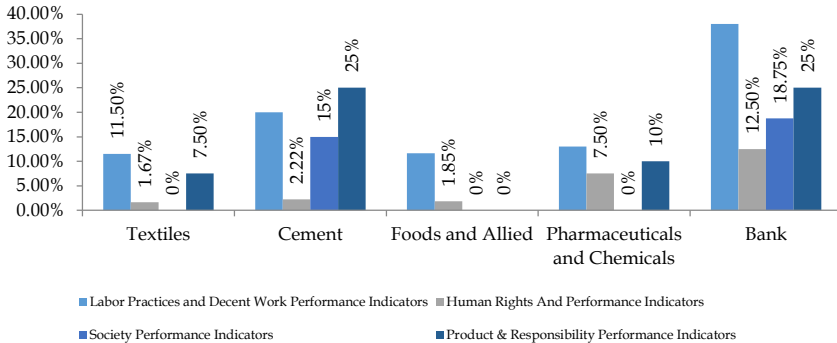


Figure 5: Specific disclosures on Social aspects by Industry  
 Source: Compiled by authors

Table 7: Overall specific disclosures on social aspects

Theme	Required Disclosure	Actual Disclosure	Overall Social aspects
Labour Practices and Decent Work Performance Indicators	510	91	17.84%
Human Rights and Performance Indicators	459	21	4.58%
Society Performance Indicators	408	21	5.15%
Product and Responsibility Performance Indicators	204	31	15.20%

Source: Compiled by authors

Table 8: The level of disclosure level in terms of the number of Company

Level of disclosure	No. of companies
Less than 10%	27
10% - 20%	17
20% - 30%	6
30% - 40%	1
40% - 50%	0
More than 50%	0

Source: Compiled by authors

Table 8 depicts the ranges of disclosure of the 51 sampled companies. A total of 27 companies disclosed less than 10% of the disclosed items, 17 companies disclosed in the range of 10–20%, while one company disclosed in the range of 30–40%. Only 6 companies disclosed in between the range of 20 – 30%. Therefore, the overall social and environmental disclosure is very low.

Under the environmental dimension, Material and Biodiversity attained the highest levels of disclosure, whereas the least disclosed items are under the Emissions, Effluents, and Waste theme and the Compliance theme. Under the social dimension, most of the disclosures are for Labour Practices and Decent Work as well as Product Responsibility themes, whereas Human Rights and Society themes were the least disclosed by the companies. Companies from Bank and Cement industries made some effort to disclose voluntary information in their corporate annual reports, but companies from Textile, Pharmaceuticals & Chemicals, and Food & Allied industries lagged in social and environmental reporting. The main reasons for nondisclosure are an inadequate legal framework, a lack of stakeholder awareness, the costs outweigh the benefits, attitude for secrecy, poor performance, non-consideration of performance measurement, and fear of bad publicity (Belal, 2007; Rowe, 2007). An absence of credible external verification and a lack of measurement consistency in social and environmental reporting systems are also major limitations for the preparation of a standard social and environmental report. The low level of disclosure can also be attributed to a very low level of social accountability among the companies. However, nowadays, large companies tend to disclose more voluntary information in their annual reports to legitimise their position in the market. The government and other relevant regulatory authorities should take necessary steps to compel, motivate, and reward all companies in Bangladesh to address social and environmental issues in their annual corporate reports. Moreover, manufacturing companies in Bangladesh should have specific disclosure policy regarding environmentally related issues in a standard and comprehensive format to ensure their sustainability in this competitive age. This standard should raise the bar of disclosure but leave enough space for additional voluntary reporting aligned with the global standards in the context of a globalised economy in order to improve comparability and consistency, avoid duplication, and ensure that goals from international agreements are attained.

## **7. Conclusion**

Sustainability reporting is a growing concept during this information age. This study scrutinised the nature and extent of Bangladeshi companies' sustainability reporting practices based on the GRI standard. The study finds that sustainability reporting practices in Bangladesh are still at the infancy stage and mostly voluntary. On average, 86.27% of the selected Bangladeshi



companies disclosed sustainability reporting issues for at least one item in their annual reports. About 23.53% of the sampled companies did not disclose at least one item in the environmental aspect and 29.41% the sampled companies did not disclose at least one item in the social aspect at all.

The overall sustainability reporting index of the companies is 10.70%. The Cement industry made both social and environmental disclosures, but the Textile industry mainly focused on the environmental aspect only while the Banks mainly focused on the social aspect. There is a paucity of disclosure in both social and environmental aspects among Food & Allied as well as Pharmaceuticals & Chemicals industries. The sampled companies did not focus on Emissions, Effluents, and Waste and Compliance under the environmental dimension and Human Rights and Social Performance under the social dimension. Thus, it can be said that the extent of disclosure among the sampled companies is not satisfactory.

Social and environmental disclosures are not mandatory in Bangladesh, but they form part of the financial statements, which are included in the annual reports. With the increasing awareness among stakeholders and the initiatives taken by regulators, sustainability reporting practices are showing an increasing trend. This study is expected to contribute to the introduction of more regulatory requirements for a comprehensive reporting framework and encourage an increasing trend for disclosure practices.

The government, regulatory bodies, and organisations established for environmental protection are expected to realise the current social and environmental disclosure practices by manufacturing companies and to formulate appropriate guidelines and laws. Hence, an understanding of the needs and interests of different stakeholder groups will ensure that corporate reporting will meet those needs. Statutory disclosure of social and environmental information has been implemented in both developed and developing nations. The Financial Reporting Council of Bangladesh, Bangladesh Securities and Exchange Commission (BSEC), and Dhaka Stock Exchange (DSE) should mandate companies to establish an environmental, social, health, and safety committee to promote sustainable development and general corporate social responsibility. To be a good corporate citizen and to sustain in their business in the long run, every company should disclose sustainability issues in their reporting. This study focused on quantity rather than quality in preparing the disclosure index and considered data for only one year; hence, the findings might be different over the years.

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## Appendices

Appendix 1: Sustainability indicators derived from GRI standard for content analysis.

Indicators	Code
<b>1 Environment: Performance Indicators</b>	
Aspect: Materials	
Materials used by weight or volume (EN1)	EN1
Percentage of materials used that are recycled input materials.	EN2
2 Aspect: Energy	
Direct energy consumption by primary energy source.	EN3
Indirect energy consumption by primary source	EN4
3 Aspect: Water	
Total water withdrawal by source.	EN8
4 Aspect: Biodiversity	
Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	EN11
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	EN12
5 Aspect: Emissions, Effluents, and Waste	
Total direct and indirect greenhouse gas emissions by weight.	EN16
Other relevant indirect greenhouse gas emissions by weight.	EN17
Emissions of ozone-depleting substances by weight.	EN19
NO, SO, and other significant air emissions by type and weight.	EN20
Total water discharge by quality and destination	EN21
Total weight of waste by type and disposal method	EN22
Total number and volume of significant spills.	EN23
6 Aspect: Products and Services	
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	EN26
Percentage of products sold and their packaging materials that are reclaimed by category.	EN27
7 Aspect: Compliance	
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EN28
<b>1 Social Performance Indicators</b>	
Labour Practices and Decent Work Performance Indicators	
Aspect: Employment	
Total workforce by employment type, employment contract, and region, broken down by gender.	LA1
Total number and rate of new employee hires and employee turnover by age group, gender, and region.	LA3
Return to work and retention rates after parental leave, by gender.	LA15
Aspect: Labour/Management Relations	
Percentage of employees covered by collective bargaining agreements.	LA4
Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	LA5
Aspect: Occupational Health and Safety	

<b>Indicators</b>	<b>Code</b>
Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	LA7
Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	LA8
Aspect: Training and Education	
Average hours of training per year per employee by gender, and by employee category.	LA10
Aspect: Diversity and Equal Opportunity	
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	LA13
Aspect: Equal Remuneration for Women and Men	
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	LA14
2 Human Rights Performance Indicators	
Aspect: Investment and Procurement Practices	
Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	HR1
Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	HR2
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	HR3
Aspect: Non-Discrimination	
Total number of incidents of discrimination and corrective actions taken.	HR4
Aspect: Freedom Of Association And Collective Bargaining	
Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	HR5
Aspect: Child Labour	
Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labour.	HR6
Aspect: Forced And Compulsory Labour	
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	HR7
Aspect: Assessment	
Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	HR10
Aspect: Remediation	
Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	HR11
3 Society Performance Indicators	
Aspect: Local Communities	
Percentage of operations with implemented local community engagement, impact assessments, and development programs	SO1

<b>Indicators</b>	<b>Code</b>
Operations with significant potential or actual negative impacts on local communities	SO9
Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. Aspect: Corruption	SO10
Percentage and total number of business units analysed for risks related to corruption.	SO2
Percentage of employees trained in organization's anti-corruption policies and procedures.	SO3
Actions taken in response to incidents of corruption. Aspect: Public Policy	SO4
Public policy positions and participation in public policy development and lobbying. Aspect: Compliance	SO5
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SO8
<b>4 Product Responsibility Performance Indicators</b>	
Aspect: Customer Health and Safety	
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	PR1
Aspect: Product and Service Labelling	
Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	PR3
Aspect: Marketing Communications	
Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. Aspect: Compliance	PR6
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	PR9



## Appendix 2: Sample Selection

<b>Industry</b>	<b>No. of companies listed</b>	<b>No. of sample companies</b>
Textiles	53	20
Cement	7	5
Foods and Allied	17	6
Pharmaceuticals and Chemicals	31	10
Bank	30	10
<b>Total</b>	<b>138 (as of December 2018)</b>	<b>51</b>

## Appendix 3: Overall Sustainability Reporting Disclosures by the Bangladeshi companies (Figure 1)

<b>Particulars</b>	<b>Overall Sustainability Reporting</b>	<b>Specific disclosure in Environment aspects</b>	<b>Specific disclosure in Social aspects</b>
Companies with disclosures in at least one content	44 (86.27%)	39(76.47%)	36 (70.59%)
Companies with no disclosure	7(13.73%)	12(23.53%)	15(29.41%)
Total companies considered our study	51(100%)	51(100%)	51(100%)

Appendix 4: Specific disclosures on Environment and Social aspects by the Bangladeshi companies

	Overall	Industry Wise					Performance indicator
		Textiles	Cement	Foods and Allied	Pharmaceut icals and Chemicals	Bank	
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
	Required disclosures (RD)						Required disclosures (RD)
	Actual Disclosures (AD)						Actual Disclosures (AD)
	Disclosures Index (DI)						Disclosures Index (DI)
<b>Total</b>		<b>Social</b>	<b>Environment</b>				
2448	1581	867					
262	163	99					
10.70%	10.31%	11.42%					
960	620	340					
90	32	58					
9.38%	5.16%	17.06%					
240	155	85					
40	22	18					
16.67%	14.19%	21.18%					
288	186	102					
11	8	3					
3.82%	4.30%	2.94%					
480	310	170					
26	23	3					
5.42%	7.42%	1.76%					
480	310	170					
95	78	17					
19.79%	25.16%	10%					

Appendix 5: Main themes or issues of Environment Dimension by the Bangladeshi companies

Main themes		Industry Wise							
		Overall	Textiles	Cement	Foods and Allied	Pharmaceuticals and Chemicals	Bank		
Labor	Equal Remuneration for Women and Men	51	51	102	102	153	102	153	Required disclosures
		9	17	0	19	32	0	32	Actual Disclosures (AD)
		17.65%	33.33%	0%	18.63%	20.92%	0%	20.92%	Disclosures Index (DI)
		20	20	40	40	60	40	60	Required disclosures
		6	0	0	8	8	0	8	Actual Disclosures (AD)
		30%	0%	0%	13.33%	13.33%	0%	13.33%	Disclosures Index (DI)
		5	5	10	10	15	10	15	Required disclosures
		1	0	0	3	5	0	5	Actual Disclosures (AD)
		20%	0%	0%	30%	33.33%	0%	33.33%	Disclosures Index (DI)
		6	6	12	12	18	12	18	Required disclosures
		0	2	0	2	2	0	2	Actual Disclosures (AD)
		0%	33.33%	0%	16.67%	11.11%	0%	11.11%	Disclosures Index (DI)
		10	10	20	20	30	20	30	Required disclosures
		0	5	0	4	3	0	3	Actual Disclosures (AD)
		0%	50%	0%	20%	10%	0%	10%	Disclosures Index (DI)
10	10	20	20	30	20	30	Required disclosures		
2	10	0	2	14	0	14	Actual Disclosures (AD)		
20%	100%	0%	10%	47%	0%	47%	Disclosures Index (DI)		

Human Rights and Performance Indicators										Total disclosure of labor practices
Remediation	Assessment	Forced and Compulsory Labor	Child Labor	Freedom of Association and Collective	Non-Discrimination	Investment and Procurement Practices				
51	51	51	51	51	51	153	510			
0	0	0	5	2	0	14	91			
0%	0%	0%	9.80%	3.92%	0%	9.15%	17.84%			
20	20	20	20	20	20	60	200			
0	0	0	3	0	0	0	23			
0%	0%	0%	15%	0%	0%	0%	11.5%			
5	5	5	5	5	5	15	50			
0	0	0	1	0	0	0	10			
0%	0%	0%	20%	0%	0%	0%	20%			
6	6	6	6	6	6	18	60			
0	0	0	0	0	0	1	7			
0%	0%	0%	0%	0%	0%	5.55%	11.67%			
10	10	10	10	10	10	20	100			
0	0	0	0	0	0	6	13			
0%	0%	0%	0%	0%	0%	30%	13%			
10	10	10	10	10	10	20	100			
0	0	0	1	2	0	7	38			
0%	0%	0%	10%	20%	0%	23%	38%			

Product and Responsibility Performance Indicators		Society Performance Indicators						Total disclosure of human rights
Product and Service Labeling	Customer Health and Safety	Total disclosure of society	Compliance	Public Policy	Corruption	Local Communities		
51	51	408	51	51	153	153	459	
15	0	21	0	1	11	9	21	
29.41%	0%	5.15%	0%	1.96%	7.19%	5.88%	4.58%	
20	20	160	20	20	60	60	180	
0	0	0	0	0	0	0	3	
0%	0%	0%	0%	0%	0%	0%	1.67%	
5	5	40	5	5	15	15	45	
1	0	6	0	0	1	5	1	
20%	0%	15%	0%	0%	6.67%	33.33%	2.22%	
6	6	48	6	6	18	18	54	
0	0	0	0	0	0	0	1	
0%	0%	0%	0%	0%	0%	0%	1.85%	
10	10	80	10	10	30	30	80	
4	0	0	0	0	0	0	6	
40%	0%	0%	0%	0%	0%	0%	7.5%	
10	10	80	10	10	30	30	80	
10	0	15	0	1	10	4	10	
100%	0%	18.75%	0%	10%	33%	13%	12.5%	

	Total disclosure of product and responsibility	Compliance	Marketing Communications
	204	51	51
	31	0	16
	15.20%	0%	31.37%
	80	20	20
	6	0	6
	7.5%	0%	30%
	20	5	5
	5	0	4
	25%	0%	80%
	24	6	6
	0	0	0
	0%	0%	0%
	40	10	10
	4	0	0
	10%	0%	0%
	40	10	10
	10	0	6
	25%	0%	60%