

Social and Environmental Reporting (SER) Practices in Banking Industry: Evidence from Bangladesh

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Abstract: *The purpose of the study is to measure the extent of social and environmental reporting practices in banking industry of Bangladesh with reference to GRI G4 framework. For attaining the purpose of the study, content analysis methodology was applied. The sample size under this study was twenty eight conventional private commercial banks in Bangladesh. Social and environmental reporting items were selected from annual reports/ stand-alone sustainability report/integrated reports of the banking companies related to the financial year ended 2017. The study reveals that the overall level of social and environmental reporting is still at a low level. About 52.63% banking companies report social aspects with a major focus on society and 27.53% banking companies report environmental aspect with a lower focus on effluent and waste management. The findings of this study will be helpful to the policy makers and related stakeholders to create pressure on banking industry to comply with global social and environmental standards and guidelines.*

Keywords: *content analysis, environmental reporting, global reporting initiative, social reporting*

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I. Introduction

Corporations are being pressured not only by shareholders and investors but also by other stakeholders such as customers, creditors, suppliers and society and community, and the environmental lobby groups. This reflects increased demands from many stakeholders groups, and the increasing impact of social and environmental issues related to globalization (Soderstrom, 2013). There is a growing awareness among the public about the role of corporations in society. Stakeholders are now very much concerned about more issues besides financial aspects of entity. The only social responsibility of business to maximize profits is not universally accepted (Friedman, 1962). Nowadays, social and environmental reporting has become an integral part of many corporations. It is a mechanism by which organizational accountability and responsibility towards stakeholders can be acquitted (Gray, 2002). Traditionally, SER is voluntary in nature however it is mandatory in many developed countries like Japan, Denmark, New Zealand, and The Netherlands (Kolk, 2003). Due to the voluntary nature of SER, its reporting pattern varies among companies and even within the same industry. Many organizations are trying to issue social and environmental related standards in the world. GRI is one of the main initiatives that supports social and environmental reporting and issues a lot of standards since 1997. GRI is a network based organization that provides the most extensive sustainability reporting standards available at this moment in time. It is based in Amsterdam, the Netherlands. The first version of GRI guidelines was issued in the year 2000 and from the year 2000 till now G1 G2 G3 G3.1 and G4 Standards has been framed by GRI. The fourth generation of guidelines, G4, was launched in May 2013. Reports issued after 31 December 2015 must follow the G4 guidelines (GRI, 2018). Through the Global Reporting Initiative (GRI) Sustainability Reporting Framework, the GRI works to increase the transparency and exchange of sustainability-related information and that is why most companies follow GRI.

Bangladesh is one of the most densely populated countries in the world. Recently, problems such as poverty, environmental degradation, child labor, corruption and poor working conditions especially Tazreen and Rana Plaza incidents have focused international attention on Bangladesh. So, reporting of social and environmental information has become an important issue for business organizations. Very few studies were done about social and environmental reporting practices of banking organizations in Bangladesh. Moreover, those studies failed to measure both qualitative and quantitative aspects of social and environmental reporting (e.g., Imam, 1999; Khan et al., 2011; Mahmud et al., 2017). This research aims to address both qualitative and quantitative social and environmental reporting aspects of the twenty eight conventional private commercial banks in Bangladesh.

II. Objectives of the Study

The aim of this study is to investigate the social and environmental reporting practices by banking companies in Bangladesh within the GRI G4 framework. Following are the main objectives of the study:

- (a) To find out the level to which Bangladeshi banking companies practice social and environmental reporting.
- (b) To identify the key parameters on which social and environmental reporting is done by Bangladeshi banking industry.
- (c) To find out the nature of social and environmental reporting of the banking industry of Bangladesh.
- (d) To contribute some guidelines and suggestions for the concerned authority of the banking industry in Bangladesh for developing a social and environmental reporting culture.

III. Literature Review

Social and environmental reporting (SER) has been broadly defined as the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large (Gray et al., 1996). It is also called sustainability reporting which provides information about economic, social and environmental performance of a company. The extent and content of social and environmental reporting differs from corporation to corporation. Research has shown that factors, such as firm size and industry influence the reporting of social and environmental information (Patten, 1991; Gray *et al.*, 1995; Adams *et al.*, 1998). Bhattacharyya (2014) conducted a study to investigate SER practices of forty seven small and large Australian companies drawn from five industries. The results indicated that the extent of SER by Australian companies was fairly low and the extent of total disclosure was significantly higher for large organizations in the Industrial Transport Industry. Companies with negative return on total assets reported significantly higher social information. However, the extent of total disclosure was unrelated to an organization's age and external auditor size.

Bowrin (2013) concluded that the level of social and environmental disclosure in the Caribbean was relatively low. The amount of social and environmental disclosure was positively related to firm size, industry affiliation, foreign influence and organizational culture. Firm profitability, national culture, importance of public equity financing, gender diversity, and director independence were not statistically related to social and environmental disclosure comprehensiveness.

Azim et al. (2009) carried out an empirical investigation into the corporate social reporting practices of listed companies from Bangladesh, where corporate social reporting is a matter of voluntary disclosure. The study revealed that 15.45% of listed companies made corporate social disclosures with the banking sector securing the highest rank in terms of corporate social reporting.

Daniel et al. (2015) executed a research on fifty manufacturing firms to examine the level of environmental accounting practice. It was evidence that the level of environmental accounting is not high in Nigeria firms. This may be due to weak governmental regulation, absence of organized pressure group and consumer awareness to redirect and influence corporate behavior.

Sobhani et al. (2012) has done a research to describe the status of disclosure practices of corporate sustainability in the annual reports and corporate websites of the banking industry in Bangladesh. The study revealed that, to varying degrees, all listed banks practice sustainability disclosure in an unstructured manner in both the annual reports and corporate websites. The disclosure of the social dimension is higher than that for the economic and environmental dimensions. Disclosure of environmental issues is widely neglected by all listed banks. However, the study was based on both Islamic and Conventional banks.

Jones (2010) developed a multilayered theoretical model having eight premises to underpin environmental accounting and reporting. He argued that companies because of their stewardship function should report their environmental accounting to their stakeholders.

However in other study, large companies tend to report more environment information in their annual reports than the medium-scale businesses; and the disclosure, tend to be more qualitative than quantitative despite the fact that there is a significant relationship between environmental accounting and corporate performance (Adediran and Alade, 2013).

There is a common question among the public that why organizations should report social and environmental practices to other stakeholders. A number of theories have been used to answer the question. The first theory includes the Stakeholder theory that suggests that all stakeholders have a right to be provided with information about how organizational activities impacts on them even if they choose not to use the information and even if they cannot directly play a constructive role in the survival of the organization (Deegan, 2000). According to Freeman (1984) stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Common stakeholders of corporate body include the customers, workforce, lenders, suppliers, government and local communities and even the environment. The second theory is the Legitimacy theory and is closely linked to stakeholder theory. This theory relies on the notion that there is a 'social contract' between a company and the society in which it operates (Deegan 2000;

Deegan 2002). Legitimacy theory suggests that SER provides an important way of communicating with stakeholders, to convince them that the company is fulfilling their expectations (Branco & Rodrigues, 2008). In order to allow a corporation to continue, its activities must be legitimate in the eyes of society. Companies require the support of stakeholders for its continuing existence. If the company loses its legitimacy, then it will cease to exist. The third theory is the Institutional theory that analyses social and environmental disclosure from institutional perspectives. Institutional theory states that the behavior of firms is governed by its institutional environment or field. This theory advocates that organizations action is controlled by a variety of external pressures extracted from powerful groups in order to maintain their legitimacy (Pfeffer and Salancik, 1978). According to Meyer and Rowan (1977), institutional theory explores different means/mechanism through which information about legitimate and socially accepted organizational behavior can be transmitted and such behavior institutionalized in organizations.

IV. Research Method

The study is based on the information from secondary data sources. Content analysis technique has been applied to examine the every page of annual reports/stand-alone sustainability reports/integrated reports related to the financial year ended 2017 of conventional private commercial banks in Bangladesh. Content analysis is defined as a method of codifying text into different groups depending on selected criteria (Weber, 1990). It involves codifying qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information. The data was collected during the period of April 2018 – September 2018 by visiting respective bank website to actively search for reports. In this period, twenty eight conventional private commercial banks uploaded their reports in websites and the remaining four banks did not. So, finally twenty eight banking corporations (see Appendix I for company details) out of total thirty two (Bangladesh Bank, 2018) were selected to scrutinize their corporate report that dealt with environmental and social issues. This could be either a stand-alone report or, if not available, the annual report (also called the integrated report). GRI G4 social and environmental performance indicators have been used to examine the level and quality of SER of the selected Bangladeshi banking companies. The GRI guidelines are adopted in this study as they are highly recognized (Adams, 2004) and widely used (Jones and Jonas, 2011). According to Halder (2015), GRI provides the world’s most widely used standards on sustainability reporting and disclosure in over 90 countries where about 80% companies use GRI's Standards. The GRI guidelines are recognized the most commonly used guidelines for sustainability reporting among a variety of frameworks and guidelines. Twenty five (seventeen social and eight environmental) reporting items were selected in order to determine the level of SER based on GRI G4. These twenty five items have been selected in the study as these are most influential in banking organizations. The seventeen social indicators (see Part A of Appendix II) were divided into four groups: (a) Labor practice and decent work; (b) Human Rights; (c) Society and (d) Product responsibility. The eight environmental indicators (see Part B of Appendix II) were also grouped into five categories: (a) Materials; (b) Energy; (c) Emission; (d) Effluents and waste and (e) Transport. The techniques used for analyzing data include average, percentage etc. For analysis purpose, MS Excel was used.

V. Data Analysis and Findings

5. Measurement of social reporting level:

This social aspect concerns the organization’s impacts on social systems within which it operates. There are total twelve aspects under four sub-categories: labor practice and decent work, human rights, society and product responsibility. The standards have been developed with the reference to GRI G4 guidelines.

5.1 Labor practices and decent work

Labor practice and decent work is a first sub-category of social reporting having four aspects under seven types of standards in Table 1. The labor practices and decent work are based on internationally recognized universal standards, including United Nations Universal Declaration of Human Rights and its Protocols, United Nations Convention.

Table 1: Reporting level of labor practice and decent work

Aspects & Code	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Employment, LA1 - LA3	40.74	16.05	4.94	61.73
Labor/management relations, LA4	3.70	00.00	7.41	11.11
Occupational health and safety, LA5	00.00	44.44	00.00	44.44
Training and education, LA9,LA10	40.74	4.93	00.00	45.67
Mean score	21.30	16.35	3.09	40.74

Table 1 depicts that the average score of labor practice and decent work reporting is 40.74%. The first category is employment having three standards showing 61.73% score on average, whereas the second is labor/management relations containing single standard at 11.11% score. The third is occupational health and safety consisting of one standard and showing 44.44% score on average, while the fourth is training and education having two standards with 45.67% score on average. If we see the quality of reporting, banking companies are more prone to report both qualitative and quantitative information which is 21.30% and are less prone regarding quantitative information only which is 3.09%.

5.2 Human rights

The second sub-category of social themes is human rights. This sub-category addresses the processes that have implemented incidents of human rights violations and change in stakeholders' ability to enjoy and exercise their human rights. It covers the issues on investment agreements and contracts regarding human rights, nondiscrimination, gender equality, child labor, compulsory labor and indigenous rights etc.

Table 2: Reporting level on human rights

Aspects & Code	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Investment, HR1	00.00	11.11	00.00	11.11
Non-discrimination, HR3	00.00	33.33	00.00	33.33
Child labor, HR5	00.00	3.70	00.00	3.70
Mean score	00.00	16.05	00.00	16.05

The overall score in human rights section in Table 2 is 16.05%, which indicates very poor performance of reporting. The second aspect of non-discrimination with single standard, showing 33.33% score on average and the lowest score under this sub-category is child labor showing 3.70%. It is noticeable that the nature of whole reporting of human right is only qualitative. Therefore, human rights aspects are almost ignored in the banking sector of Bangladesh.

5.3 Society

Society performance indicators focus attention on the impacts organizations have on the communities in which they operate, and disclosing how the risks that may arise from interactions with other social institutions are managed and mediated. This sub-category of social theme is depicted in Table 3.

Table 3: Reporting level of society specific aspects

Aspects & Code	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Local communities, SO1	92.59	3.70	00.00	96.29
Anti-corruption, SO4	7.41	81.48	00.00	88.89
Mean score	50.00	42.59	00.00	92.59

Table 3 portrays that local community, the first issue of society, has one standard showing 96.29% score, while the anti-corruption is the second issue having one standard with 88.89 % average score. The overall average of society is 92.59% which is very satisfactory. The nature of reporting for both qualitative and quantitative is well presented showing 50.00% and about 42.59% companies' report is only qualitative.

5.4 Product responsibility

Product responsibility performance indicators address the aspects of a reporting organization's products and services that directly affect stakeholders and customers, namely, health and safety, information and labeling, marketing, and privacy. There are five standards (including two sector specific aspects, FS 7 and FS 8)) in three aspects as in Table 4.

Table 4: Reporting level of product responsibility

Aspects & Code	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Product and service labeling, PR3, PR5	14.81	31.48	1.85	48.14
Customer privacy, PR8	18.52	18.52	00.00	37.04
Product portfolio, FS7,FS8 (sector specific aspect)	92.59	5.56	00.00	98.15
Mean score	41.97	18.52	00.62	61.11

Table 4 presents the extent of reporting information on products responsibility which is 61.11 on average. The first aspect of product and service labeling has 48.14% score with two standards. The second aspect customer privacy shows 37.04% with one standard. Last, the product portfolio (sector specific aspect) aspect has the highest score of 98.15% with two standards. If we see the nature of reporting then 41.97% companies report is both qualitative and quantitative.

6. The overall reporting level of social aspects:

The overall social aspect includes Labor practices and decent work, Human rights, Society and Product responsibility. The reporting level of these aspects is given in Table 5.

Table 5: Overall reporting levels of social aspects

Sub-categories	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Labor practices and decent work	21.30	16.35	3.09	40.74
Human rights	00.00	16.05	00.00	16.05
Society	50.00	42.59	00.00	92.59
Product responsibility	41.97	18.52	00.62	61.11
Mean score	28.32	23.38	0.93	52.63

Table 5 describes the level and nature of social reporting in four broad categories i.e. labor practice and decent work, human right, society and product responsibility. The highest percentage of social reporting level is related to society showing 92.59% and the lowest reporting level is related to human rights which is 16.05%. This shows that companies provide more information about community investment in terms of donations and community help programs. Companies, however, report little information on human rights issues like nondiscrimination, gender equality, child labor etc. It is apparent that the reporting nature of human right sub-category is only qualitative.

7. Measurement of environmental reporting level:

The environmental dimension of sustainability concerns an organization’s impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other relevant information such as environmental expenditure and the impacts of products and services. There are total five reporting aspects with eight standards related to environment are described in Table 6.

Table 6: Reporting level of environmental aspects

Aspects & Code	Nature of Reporting (%)			Reporting Companies (%)
	Qualitative & Quantitative	Qualitative	Quantitative	
Materials, EN1	7.41	22.22	00.00	29.63
Energy, EN3, EN6	24.07	40.74	00.00	64.81
Emission, EN15 - EN17	6.17	9.88	8.64	24.69
Effluents and waste, EN23	00.00	7.41	00.00	7.41
Transport, EN30	3.70	7.41	00.00	11.11
Mean score	8.27	17.53	1.73	27.53

Table 6 reveals that only 27.53% companies report environmental related aspects. The highest reporting is related to the energy consumption (64.81%) and the lowest is related to effluents and waste (7.41%). If we see the quality of reporting then companies are reluctant to report quantitative information. However, the highest percentage of reporting nature is qualitative (17.53%) only and this is followed by 8.27% in both qualitative and quantitative. Therefore, the reporting of environment aspects in the banking industry of Bangladesh is far below from the standard of GRI G4 in this regard.

VI. Conclusion and Recommendation

The study shows that banking companies are focusing more on social aspects than environmental aspects. In the social issues, human rights aspects are ignored by the banking companies. Reporting level in the specific human right issue is very low which is only 16.05% and the nature of reporting is mainly qualitative. It is also noticed that banking companies are very much keen to report information on society related issues. About 92.59% banking companies report information related to society aspects like community development programs, donation to the prime minister relief fund, awarding scholarships to meritorious students etc. The nature of reporting for both qualitative and quantitative is well furnished showing 50.00%. Most of the reporting

(81.48%) regarding anti-corruption aspects is qualitative. In the product responsibility sub-category, product portfolio (sector specific aspect) aspect shows very satisfactory level which is 98.15%. This is due to the banking companies adopting sustainable finance policy. Some of the banking companies are financing bio gas plant, solar energy project and giving easy loan in these regard as prescribed by the central bank to boost investment in clean energy and to tackle the growing environmental concern. However, in the labor practice and decent work sub-category, reporting level about labor/management relation is only 11.11%. This means that notice regarding operational changes is not given to the employees. In the environmental issues, banking companies give more emphasis on energy related issues like energy consumption, reduction of energy. But the nature of reporting is mainly qualitative. Very few banking companies (7.41%) report effluent and waste aspect of environment and the reporting nature is only qualitative. It is mentioned that the nature of whole reporting related to environment is almost qualitative.

Social and environment reporting scenario in Bangladeshi banks is still at primitive stage. The reasons for this SER is probably that less pressure is applied to Bangladeshi banking companies by stakeholders, environmental groups, the general public and importantly the government. Currently, there are no mandatory regulations for social and environmental reporting in Bangladesh. Very few banks are presenting their SER based on GRI guidelines but the report lack consistency and comparability. In most of the cases it was found that, the information regarding social and environmental issues are not meeting the standard of GRI guidelines. Some aspects of SER seem to be aimed more at publicity than providing social and environmental facts and figures. A good quality of SER needs to be encouraged and rewarded. Proper legislation is required to promote unity in the reporting practices. The banking sector should give more priorities on environmental related aspects like effluent and waste management, emission etc. Moreover, banks should also give more emphasis on human right aspects. Moreover, voluntary reporting procedures maybe systematized so that such reporting become mandatory for business concerns. Government should encourage banks towards social and environmental acts by provides tax rebate and tax exemptions. Lastly, for ensuring good governance and better transparency, all the regulators as well as the civil society should come forward for developing a social and environmental reporting culture which will ultimately bring positive impact on the total performance of the banking industry in Bangladesh.

VII. Future Research

The present study also has some limitations. The study was limited by the use of selected GRI social and environmental indicators. The study is conducted on annual report/stand-alone sustainability report/integrated report, yet different banks may have used other reports for reporting. The study is based on the reports of only one year and includes only twenty eight conventional private commercial banks in Bangladesh. Thus it does not reveal the trend and the progress in the social and environmental practices of the whole banking industry in Bangladesh. These limitations can be used as basis for further research.

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Appendices

Appendix I: List of Banks for Sample Size:

Serial No.	Name of Banks	Serial No.	Name of Banks	Serial No.	Name of Banks
1	Eastern Bank Ltd.	11	Uttara bank Ltd.	21	South East Bank Ltd.
2	Bank Asia Ltd.	12	Mercantile Bank Ltd.	22	United Commercial Bank Ltd.
3	Prime Bank Ltd.	13	Dhaka Bank Ltd.	23	Modhumoti Bank Ltd.
4	IFIC Bank Ltd.	14	NCC Bank Ltd.	24	NRB Commercial Bank Ltd.
5	AB Bank Ltd.	15	The City Bank Ltd.	25	Mutual Trust Bank Ltd.
6	Jamuna Bank Ltd.	16	NRB Bank Ltd.	26	Dutch Bangla Bank Ltd.
7	BRAC Bank Ltd.	17	Midland Bank Ltd.	27	Bangladesh Commerce Bank Ltd.
8	Pubali Bank Ltd.	18	Trust Bank Ltd.	28	South Bangla Agriculture and Commerce Bank Ltd.
9	Premier Bank Ltd.	19	Standard Bank Ltd.	-	
10	One Bank Ltd.	20	National Bank Ltd.	-	

**Appendix II
Appendix IIA: Social Reporting Indicators of Bangladeshi Banking Companies:**

Aspects	Sub-categories	standards or parameters and code
Labor practices and decent work	Employment	total number and rates of new employee hires and employee turnover by age group, gender and region,LA1
		benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation,LA2
		return to work and retention rates after parental leave, by gender,LA3
	Labor/management relations	minimum notice periods regarding operational changes, including whether these are specified in collective agreements,LA4
	Occupational health and safety	percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs,LA5
Training and education		average hours of training per year per employee by gender, and by employee category,LA9
		programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings,LA10
Human rights	Investment	total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening,HR1
	Non-discrimination	total number of incidents of discrimination and corrective actions taken,HR3
	Child labor	operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor,HR5
Society	Local communities	percentage of operations with implemented local community engagement, impact assessments, and development programs,SO1
	Anti-corruption	communication and training on anti-corruption policies and procedures,SO4
Product responsibility	Product and service labeling	type of product and service information required by the organization’s procedures for product and service information and labeling, and percentage of significant

		product and service categories subject to such information requirements,PR3
		results of surveys measuring customer satisfaction,PR5
	Customer privacy	total number of substantiated complaints regarding breaches of customer privacy and losses of customer data,PR8
	Product portfolio (sector specific aspect)	products and services delivering social benefits broken down by purpose,FS7
		products and services delivering environmental benefits broken down by purpose,FS8

Appendix IIB: Environmental Reporting Indicators of Bangladeshi Banking Companies:

Aspects	standards or parameters and code
Materials	materials used by weight or volume, EN1
Energy	energy consumption within the organization,EN3
	reduction of energy consumption,EN6
Emission	direct greenhouse gas (GHG) emissions (scope 1),EN15
	energy indirect greenhouse gas (GHG) emissions (scope 2),EN16
	other indirect greenhouse gas (GHG) emissions (scope 3),EN17
Effluents and waste	total weight of waste by type and disposal method,EN23
Transport	significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce,EN30

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