

Environmental, Social, and Governance (ESG) Integration: Evidence From an Emerging Economy

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EXECUTIVE SUMMARY

This chapter is intended to understand how environmental, social, and governance issues are integrated in the annual report of Bangladeshi banking companies from 2020 to 2022. This understanding, in turn, can help investors determine how to integrate ESG analysis into their own investment processes. This study considered the top 30 banks operating in Bangladesh for three years (2020 to 2022). Discourse analysis was used to identify the textual narratives disclosed in this study. Finding of this study showed that many banking organizations are presenting their ESG disclosure in a separate section of annual report and other organizations report such information in the form of sustainability report or corporate social responsibility section. Despite all the regulatory interventions, the level of ESG reporting especially governance is not up to mark in Bangladesh. The main factor for integrating ESG is to face risks and opportunities that can impact the long-term performance and sustainable finance.

INTRODUCTION

Environmental, Social and Governance (ESG) is one of the burning issues in recent years. Generally, ESG (Environmental, Social and Governance) reporting is the disclosure of a company's environmental, social, and governance performance to its stakeholders. Stakeholders, especially regulatory agencies, are seeking greater openness and responsibility from businesses as concerns about environmental degradation, social issues, and corporate governance disclosure in Bangladesh. ESG reporting can help to support these efforts by providing a method to monitor and report on a company's sustainability performance, even while the government and civil society organizations are already taking steps to address these problems. ESG reporting can also help businesses become more credible, draw in sustainable investors, and ultimately help them succeed financially in the long run. In order to address sustainable development and green consumerism, global corporate investment and sustainability are attracting more and more attention (Nosratabadi et al., 2019). It has become necessary to disclose environmental, social, and corporate governance on a global scale as sustainability gains importance for economic development and there is concern over the lack of non-financial information in annual reports (Li, Gong, Zhang, & Koh, 2018). Stakeholders have begun to put increasing pressure on businesses in recent years to learn more about the positive and negative effects of their environmental and social policies, as well as how much sustainable development is incorporated into their strategies and business models (Camilleri, 2022; KPMG, 2022). According to (Adams 2017) ESG issues are extremely important in driving corporate reporting and performance. ESG issues like climate change and poverty evaluation [One of sustainability development goals issued by United Nations] motivates everyone to act on including companies (United Nations Development Program 2015). Such issues getting more emphasis at the time of COVID 19 crisis (Wood 2020). In brief, because of the significant changes in the globe, businesses now have to prepare for potential ESG-related challenges as well as satisfy consumer demand for measuring corporate financial performance (Barker & Eccles 2019). Even media pressure plays a vital role in motivating companies for promoting ESG disclosure (Garcia-Sanchez et al. 2014).

In contrast to other developing countries, the performance of Bangladeshi companies for non-financial disclosure is almost voluntary in nature. Due to tremendous economic growth Bangladesh still lacks behind than others. This happens due to lack of demand from stakeholders or insufficient pursuance of existing laws (Ahmed & Rahman, 2014). According to the Environmental Performance Index (EPI), Bangladesh was ranked 162 out of 180 nations in 2018, which is a remarkable indication of how poorly the sustainability and environmental conditions are doing (Bhuyian & Hussain, 2020). However, many businesses intentionally release ESG

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