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A COMPARATIVE ANALYSIS BETWEEN MAJOR INTERNATIONAL STANDARDS ON CSR AND REGULATORY REPORTING FRAMEWORK ON CSR IN BANKING SECTOR OF BANGLADESH

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ABSTRACT
CSR activities of banks in Bangladesh were brought under the regulatory scope in 2008 when Bangladesh Bank (BB) issued policy guidance on mainstreaming CSR in banks. Following this guidance, a regulatory reporting framework was circulated in 2010 and a performance report on "gender equality" was introduced in 2011 for banks. In 2014, another indicative guideline was issued following which a revised regulatory reporting framework was circulated in 2015. For assessing the level of their effectiveness, objective comparative analysis has been made in this paper between 'International Standards' for benchmarking the CSR performance of institutions and the 'Regulatory Reporting Framework' of BB on CSR. This study uses an exploratory approach, which helps to generate some new insight, may then be taken as a basis for further theoretical development or for a reexamination of existing theories. As per BB prioritization, this study evaluates the regulatory reporting framework with the GRI standards and Equator Principles (EP) for the adaptation by banks, along with relevant guidelines, journals, articles etc. The paper intends to propose some 'doable' for banks and regulators for uplifting regulatory reporting framework on CSR to the level of international standards. From the comparative analysis, it is found that the concept of and format used for CSR reporting is still not totally attuned with international standards.

1. INTRODUCTION

Finance is key to a functioning economy and society. The global financial system has changed rapidly during the past decades – and has raised a growing concern on its suitability for future generations. Money is flowing all over the world at the speed of light while labour force and production are limited in their possibilities to change places.

Due to its lending and investment activities, the financial sector has the potential for major multiplier effects if it adopts and disseminates responsible and transparent practices throughout the financial capital value chain. Its decisions to fund, or not to fund, to invest or not to invest, and its views on what is too risky to insure and what risks are acceptable, send strong signals to the economy and can provoke rapid change and adaptation.

The history of social and environmental concerns regarding business is as old as trade and business

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itself. Commercial logging operations for example, together with laws to protect forests, can both be traced back almost 5,000 years. In Ancient Mesopotamia around 1700 BC, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others or major inconvenience to local citizens. In Ancient Rome senators grumbled about the failure of businesses to contribute sufficient taxes to fund their military campaigns, while in 1622 disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and “self-enrichment”.

Following the concepts of division of labour, productivity and free markets by Scottish economist and moral philosopher Adam Smith (An Inquiry into the Nature and Causes of the Wealth of Nations, 1776) as well as Industrial Revolution, which occurred in the period from about 1760 to sometime between 1820 and 1840; massive industrialization and expansion of business cropped up. These formed a new socio-economic class- ‘the industrialists’ or ‘corporate paternalist’. A portion of this economic class got concerned about the wellbeing of their employees, society, or the environment. Besides that, the appalling conditions under which people especially labour class worked during that period were documented in the novels of Charles Dickens and inspired radical theorists such as Karl Marx and Friedrich Engels to write about new concepts on labour, socialism and communism.

At the start of the 20th century, powerful corporations suffered a backlash against their widespread exploitation. Labour unions were formed, giving a voice to the workers, and governments began to assume more responsibility for welfare and infrastructure, gradually introducing anti-trust legislation. All these tended to the theorization of Corporate Social Responsibility.

In 1916, John Maurice Clark mentioned in the Journal of Political Economy, "*if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not*". In 1929, Wallace B. Donham, Dean of Harvard Business School noted, "*Business started long centuries before the dawn of history, but business as we now know it is new - new in its broadening scope, new in its social significance. Business has not learned how to handle these changes, nor does it recognise the magnitude of its responsibilities for the future of civilisation*" (Asongu, 2007. p 30). Professor Theodore Kreps launched the subject of Business and Social Welfare in 1931 and applied the term '*social audit*' for maiden time to focus the social responsibilities of the companies in their reporting. In 1942, Peter Drucker advocated for social dimension along with an economic purpose in business and corporations in his second book, '*The Future of Industrial Man*'.CSR came into the spotlight in 1951 when Frank Abrams, chairman of the board for Standard Oil of New Jersey, published an article in Harvard Business Review where he stated that it was business’ obligation:

"*to conduct the affairs of the enterprise to maintain an equitable and workable balance among the claims of the various directly interested groups, a harmonious balance among stockholders, employees, customers, and the public at large"*.(Frederick, 2006, p. 7).

In 1953, Howard R. Bowen made the first significant scholarly contribution by publishing the book, *The Social Responsibilities of the Businessman*. Here he suggested the CSR definition as

“*the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society*.” (Bowen, 1953, p. 6).

George Taylor recommended,

"*a social audit can act as both a useful management tool and offer stakeholders a platform for challenging and influencing companies*" in his book titled 'The Responsible Company' in 1960. In 1962 Professor Milton Friedman published his controversial book, "Capitalism and Freedom" in which he argued economic freedom as a precondition for political freedom. In 1970s, number of initiatives were installed to address the social and environmental issues in the context of business, like Greenpeace as the first major Non-Government Organization (NGO) to adopt policies that transferred the prominence away from governments and more towards direct action on the corporate sector. Furthermore, the 'United Nation's Code of Practice for Transnational Corporations' was formulated to define the CSE principles for business. In addition to that, social accounting came into the light to translate the CSR in the reporting. In 1972, the first alternative to GDP (Gross Domestic Product) as a measure of economic progress, the 'Measure of Economic Welfare' was formulated by Nordhaus and Tobin. CSR entered the mainstream management theory as Edward Freeman published 'Strategic Management: A Stakeholder Approach' in 1984.

As CSR is a concept to be materialized according to the necessity of the situation, there is no universally agreed statement to define itself. Werther and Chandler (2006) characterized CSR as both a means and an end. They explained that CSR is a means because it is "an integral element of the firm's strategy: the way a firm goes about delivering its products or services to markets" (2006, p.8). CSR is an end because it "is a way of maintaining the legitimacy of its actions in the larger society by bringing stakeholder concerns to the foreground" (2006, p.8). They concurred and believed that CSR is also a process and an outcome. Being socially responsible necessitates a focus on business practices and the outcomes associated with those practices. Those outcomes are not merely financial; rather, outcomes include sensitivity to the impacts on stakeholders.

CSR is a means of analyzing the inter-dependent relationships that exist between businesses and economic systems, and the communities within which they are based. CSR is a means of discussing the extent of any obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified.

At this point, European Commission (EU) defined CSR as: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2010). Moreover, it strengthened this definition by stating CSR as "the responsibility of enterprises for their impacts on society". Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

– maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;

– identifying, preventing, and mitigating their possible adverse impacts. (European Commission, 2011)

World Business Council for Sustainable Development stated CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (CSR: Meeting Changing Expectations, 1999, p. 6)".

In 1939, Dave Packard, Co-founder of Hewlett Packard Company asserted, "I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably conclude that a group of people get together and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately – they contribute to society, a phrase which sounds trite but is fundamental".

All of the above definitions endorsed the idea of strategic corporate social responsibility. That means a corporation's CSR initiatives should be driven by the organization's vision and purpose. CSR is treated as complementary to, not competing with, the corporation's mission. The assumption is that corporations must conform to legal requirements, and CSR extends beyond those legal requirements to include additional voluntary initiatives consistent with the public good. The expectations of relevant internal and external stakeholders, irrespective of where those stakeholders may be located, may have a strong influence on CSR strategy.

Thus, CSR can be viewed on the basis of the above discussion as-

"*the voluntary actions that a corporation implements as it pursues its mission and fulfills its perceived obligations to stakeholders, including employees, communities, the environment, and society as a whole*".(Coombs, & Holladay, 2012, p.6).

This definition is susceptible to the "triple bottom line": concern for people, the planet (the environment), and profit. The perception is that CSR initiatives involve voluntary actions. As mentioned above, if a corporation is required by law to perform an action, it does not qualify as a CSR action. Corporations must choose to exceed the minimum legal expectations. CSR actions must be consistent – or at least not inconsistent – with an organization's mission. The mission is what the organization does to provide products and services that meet others' needs.

While evaluating the impact of CSR on organizational commitment through trust and identification, Nguyen, Pham, Le & Bui (2020) measured CSR performance of organizations along 5 aspects namely contribution to the environment, employees, customers, governments and suppliers. Based on literature from multiple discipline they devised 17 variables to measure CSR performance.

In order to fulfill the dimensions of CSR, Murphy (1999) identified some of the key steps to evaluate ethics in product/service management. First of all, marketers need to have an intention to identify and judge ethical behaviour. Secondly, they need to establish proper channels to implement a particular marketing program with a formal ethical analysis of products/ services. The consequences of marketing programs shall be clearly identified, and unethical practices shall be properly managed with staff commitment. Specific ethical policies shall be put in place to shape the ethical behaviour of staff. Protecting the environment, product safety and hygiene are hot issues in today's marketplace.

Besides, the importance of internal audits has to been emphasized, especially in banking industries. Coetzee and Fourie (2010) mentioned that an internal audit had been perceived positively. They indicated that internal audit should focus on strategic, operational and business risks in addition to financial and compliance risks as 80% of loss in external shareholders' value in Fortune 500 companies could be linked to the first set of risks. Senior management and those of the chairpersons of the audit committees expect an increase in internal auditing involvement in risk-related issues. Coetzee and Fourie (2010) also highlighted an annual risk assessment under the requirement of industries. Barac, Plant and Motubatse (2010) quoted a survey conducted by (Institute of Internal Auditors (IIA) on five value-adding attributes for IAFs: organizational alignment, extensive staff expertise, challenging work environment, risk assessment of the audit universe; and an array of audit services.

Furthermore, Barac, Plant and Motubatse (2010) shared the idea of Dittenhofer (2001) in the aspect of making a smooth internal audit process: interaction with the organization, internal restructuring, creation of new services and methods, and using technology. Pucheta-Martínez, Bel-Oms & Rodrigues (2019) studied the CSR disclosure practices by non-financial listed companies in Spain. Empirical results of the study revealed that auditing by large audit firms positively influences CSR disclosure practices and also the audit and non-audit fees paid by the audited company have a positive influence on CSR reporting.

Tracking the progress of CSR is not a very easy task. ElAlfy and Weber (2019) mentioned, "Yet, Corporate social responsibility (CSR) reports are hard to compare, and often it is not possible to evaluate corporate social performance based on the current voluntary and unstandardized reporting structures". This also applies to CSR reports in the financial industry, where the complex and often indirect interactions with the environment and society present additional challenges for reporting. Sustainability reporting can be a decisive tool when transitioning to a susainable economy. Being the part of sustainability reporting, the reporting of the Corporate Social Responsibility actions of banks plays critical roles to evaluate their sustainability performance. At this precarious stage in our planet and our society's health and well-being, and to ensure corporate sustainability, CSR reporting should be a standardized and mandatory reporting system. In this global backdrop, Bangladesh has bit different situation for CSR reporting by banks. Bangladesh Bank (BB), the central bank and the regulatory authority of banks took a pioneering initiative through developing regulatory reporting format on CSR activities of banks and made it mandatory in 2011 following its maiden CSR policy of 2008. After almost of a decade of that monitoring framework, an evaluation seems to be necessary at this point to explore the level of alignment of this regulatory framework of BB with the available international standards. Mentionable that, there is no uniform international standard on CSR reporting. Yet, the international standards on sustainability reporting can be referred to compare the BB's framework. This paper intends to serve the purpose of pursuing a comparative analysis between the International Standards on CSR and Regulatory Reporting Framework on CSR in the Banking Sector in Bangladesh.

1.1 Objective

This paper will try to fulfill the following objectives:

- Evaluate the evolution of regulatory reporting framework on CSR for banks in Bangladesh
- Elaborate the international standards on CSR
- Analyze different aspects of regulatory reporting framework on CSR for banks
- Depict comparative scenario between the core dimensions of two international standards and the regulatory reporting framework on CSR
- Propose the 'doables' for the banks and the regulator for uplifting regulatory reporting framework on CSR of BB to the level of international standards

2. MATERIALS AND METHODS

2.1 Research Methodology

2.1.1 Research Philosophy & type

In the case of this analysis, where true theories and knowledge are there that enable successful action, the focus will be on problems; practices & relevance, and informed future practices will be the contributions. This research applies a comparative strategy of 'Case-oriented Approach', as Thomann and Maggetti (2017) outline, the focus of the traditional case-oriented approach is a close analysis of particular cases using deep contextual knowledge. In addition to cross-case inference, in-depth case knowledge helps establish measurement and internal validity.

This study uses an exploratory/inductive Approach, which will help to generate some new insights, which may then be taken as a basis for further theoretical development or for a reexamination of existing theories (Berg-Schlosser et al. 2009: 16). The study starts with data analysis from which specific conclusions or broader theoretical statements can be derived (Maggetti et al. 2012). So, the methodology used in this study is qualitative with an interpretive or allied metatheoretical stance (cf. Hantrais 2009:57-59).

This research is expected to be done in three phases:

- Phase 1: Collection of Secondary data from documents, reports, observations, relevant guidelines, and policies for the literature review.
- Phase 2: Review of necessary local and international standards on regulatory reporting framework on CSR and compare for analysis.

2.1.2 Research Design

Population: Various CSR guidelines and format of BB & Few other international standards regulatory reporting framework on CSR.

Sample & Methods to be used: As BB prioritizes the GRI standards and Equator Principles for the adaptation by banks, this paper will evaluate the regulatory reporting framework with these two. The qualitative method comprises of:

1. Case study: Study of the guidelines/policies to agree with the scope of the research and gain essential contextual information.
2. Observations/secondary data study from reports, journals, and articles.

- Phase 3: Utilization of the findings to formulate a comparative analysis of the selected policies and outline the comparative scenario between major international standards and regulatory reporting framework on CSR, and finally draw recommendations for the banks and the regulator for revision of regulatory reporting framework on CSR of BB to align with the international standards.

2.2 Conceptual framework on CSR Reporting in Banking Sector in Bangladesh

2.2.1 International Practices:

The introductory part has established the benefits of the development of CSR standards and practices. It is also apparent that such an initiative will help the banking sector of Bangladesh to be a beacon of best practices considering the generally low level of CSR uptake. The next important stage of the study is to analyze the relevant CSR standards, guidelines and practices in order to develop something appropriate that Bangladesh Bank will commit to implementing. A review of the literature identified several relevant guidelines for Corporate Social Responsibility and Sustainability. Among them, Global Reporting Initiative (GRI), Equator Principles (EP), United Nations Global Compact (UNGC), International Finance Corporation’s (IFC) Performance Standards, UNEP Financial Institution Guide to Banking & Sustainability are among the most relevant for the sector. GRI and EP have developed detailed regulations for financial institutions to promote sustainability in financing activities.

Global Reporting Initiative (GRI): Global Reporting Initiative, a non-profit organization based in the Netherlands has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used by many organizations around the world. The aim of GRI reporting is greater organizational transparency about economic, environmental, social and governance performance. The framework has been developed through dialogue and consensus among stakeholders from business, investors, labor, civil society, accounting, academia and others. It has described both process and outcome of the disclosure i.e. ‘how to report’ and ‘what to report’ (GRI, 2008).

Equator Principles: In 2002, together with International Finance Corporation (IFC), nine international banks convened in London to find ways to assess and manage social and environmental risk associates with their investment globally. They soon concluded that the best and most acceptable social and environmental risk management framework were those used by IFC in its emerging markets operation (Equator Principles, 2012). The Equator Principles (EP) was launched in 2003 with ten international financial institutions as its member in Washington D.C. The EP is based on IFC Performance Standards on social and environmental sustainability and Environmental, Health and Safety Guidelines (EHS Guidelines) of World Bank Group. The EP intends to provide a minimum standard for implementation by the voluntary adoption of social and environmental policies, procedures and standards related to project finance inside financial services institutions.

IFC Performance Standards: International Finance Corporation uses performance standards as part of the risk management of its investment in emerging markets. The standards provide guidance to the clients on how to identify risks, avoid or mitigate and manage those in a sustainable manner through stakeholder engagement and disclosure. EPFIs adopted these performance standards for their own investments in emerging markets. In high-income countries, the regulatory and stakeholder engagement process generally meet or exceed the requirements of the IFC Performance Standards and World Bank EHS Guidelines.

EHS Guidelines of World Bank: World Bank Group has developed Environment, Health and Safety (EHS) Guidelines which are to be followed by member institutions of the group in their investment in emerging markets. The guidelines describe policies and procedures which supplement IFC’s performance standard 3: resource efficiency & pollution prevention. There is a set of general guidelines applicable to all kinds of industries to mitigate pollution and industry guidelines applicable to a specific category of industrial pollution. EHS Guidelines are considered as the most acceptable Good International Industry Practice (World Bank, 2007) and industries use the respective sector guidelines to mitigate pollution and ensure sustainability in their operations. Financial institutions also use the guidelines in Environmental and Social Risk Management which is an integral part of their credit risk management.

United Nation Global Compact (UNGC): UN Global Compact is a platform of business leaders established in 2000 for the promotion of responsible and sustainable corporate policies and practices. It seeks to align business operations and strategies everywhere with ten universally accepted principles in the area of human rights, labors, environment and anti-corruption. With 8500 signatories in over 135 countries until 2010, the UNGC has become the world’s largest voluntary corporate social sustainability initiative (UN Global Compact, 2011). UNGC is a voluntary policy framework aimed at the development, implementation and disclosure of environmental, social and governance policies and practices. There are ten (10) principles under the UNGC which are expected to embrace in operations of the business organizations.

ISO 26000: International Organization for Standardization has launched ISO 26000 as voluntary guidance on social responsibility. It can be used by all types of organizations in developed and developing countries as a guide to operate in a socially responsible manner. It recognizes the value of stakeholder welfare and identified seven core subjects where organizations need to perform well to be recognized as socially responsible: Organizational Governance, Human Rights, Labor Practices, Environment, Fair Operating Practices, Customer Issues, Community Involvement and Development.

ISO 26000 also identified seven principles of social responsibility which organizations need to follow in its policies and practices: Accountability, Transparency, Ethical behavior, Respect to stakeholder interests, Respect for the rule of law, respect for international norms of behavior and Respect for human rights. Unlike the other standardizations offered by ISO, it does not award any certification for ISO 26000 compliance (ISO, 2008).

2.2.2 Overview of Banking Sector CSR Policies in Bangladesh

Before 2008, banks in Bangladesh were involved in CSR activities in their own fashion. Not many banks even were engaged in CSR programs at that time. The few banks that had CSR programs focused only on education scholarship or personal level donations. In this backdrop, BB circulated policy titled 'Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions in Bangladesh' in June 2008 for banks. This was a ground-breaking initiative by any central bank or financial sector regulatory authority regarding sustainability. In this policy, BB defined CSR as, "(i) taking stock of the economic, social and environmental impacts of a business, (ii) mitigating the negative impacts and bolstering the benign impacts, (iii) taking up action programs and community investments to reduce social exclusion and inequality and to address the key sustainable development challenges ('meeting the needs of the present generation without impairing the ability of future generations to meet theirs' is a generally accepted meaning of 'sustainable development')." (BB, 2008). The policy also mentioned, "CSR programs and actions go beyond such mandatory compliances into voluntary engagements to promote equitable, sustainable development. Besides the self-evident ethical case, a strong business case for CSR (as an investment in a strategic asset or distinctive capability, rather than an expense) is also getting clearer with developing practice; seen as benefiting a business by:

-building reputation, brand value, customer loyalty, employee motivation and retention;

-mitigating risks in own operations and in assessing suppliers and clients;

-cutting down wastes (of energy, raw materials etc.), driving up efficiency;

-gaining new markets for products and services, in the communities/social groups benefited by the CSR actions."

In this policy, some priority areas for CSR also were described:

"- Self-employment credit and Small and Medium Enterprise (SME) lending programs, taken up solo or in association with locally active Micro Finance Institutions (MFIs), designed to create productive new on-farm /off-farm employment, such initiatives are of particular urgency for regions with endemic high seasonal unemployment (e.g., the manga afflicted Northern districts); - Financing programs for the installation of biomass processing plants (e.g. biogas plants), solar panels in rural households, for waste recycling plants in locations populated by urban poor, and for Effluent Treatment Plants (ETPs) in manufacturing establishments;

- Credit programs for diversified production of crops, oilseeds, spices, vegetables, fruits, etc. by rural households, financing the growers directly or through suitable intermediaries in the value chain. Credit support for combinations of farming activities (like co-production of a minor crop with a major one, fish/duck farming with aman rice of deepwater variety in low lying fields), may also be well worthwhile;

- Mobile phone-based/ local MFI outlet supported programs promptly delivering remittances from migrant workers to recipients in remote rural households; programs for card-based/ mobile phone-based delivery of financial services to such households;

-Financing programs supporting folk crafts, folk music and performing arts, aimed at promoting domestic tourism and markets in cultural products/events besides income and employment for the population groups involved." (BB, 2008)

For defining the CSR strategy, banks were advised:

"A first time CSR program of a bank or financial institution would be likely to include action plans for: i) Ingraining environmentally and socially responsible practices within the organization; ii) Engaging with borrowers in a scrutiny of the environmental and social impacts of their proposed undertakings; iii) Reaching out with financial services to the less well off population segments of the community; and iv) Community investments by way of donations to initiatives of Civil Society Organizations (CSOs), NGOs and institutions involved in health, education and culture; for social and environmental improvement including nutrition, health and education in the disadvantaged population segments." (BB, 2008)

This policy also explicitly encouraged the banks to adopt the Global Reporting Initiative (GRI) standard and Equator Principles. Following this, BB kept instructing the banks to pursue CSR actions in different national needs like natural disasters or large-scale poverty alleviation or education or health programs. In 2010, the banks were instructed to set up dedicated 'CSR Desks' for better management and monitoring. In 2014, BB extended the policy horizon on CSR by banks through issuing '"Financial sector Corporate Social Responsibility (CSR) engagements:

Indicative Guidelines for expenditure allocations and end-use oversight". These guidelines broaden the definition of CSR as Support initiatives in the communities outside banks and FIs will be treated as CSR and internal improvement initiatives (working condition up-gradation, health and safety measures, gender fairness etc.) towards own employees will not be treated as CSR. It also categorized CSR expenditures as Direct (Expenditures in defined sectors/areas in the guidelines.) and Indirect (Costs related to promoting inclusive and green financing). Moreover, it provided the following issues:

- **A requirement for banks and FIs:**

1. Board approved CSR Policy.
2. Dedicated CSR unit in Head Office; for larger programs separate foundation.
3. Annual CSR budget approved by the board.
4. Internal monitoring and supervision by the Internal Audit Department/Division.

- **Conditions for CSR Expenditure by banks and FIs:**

1. Expenditures must be within the annual approved budget and on an arm's length basis[3], free of insider interests,
2. No expenditure to any entity/person directly or indirectly connected with directors, senior management members of the bank/financial institution or with the trustees of its CSR foundation,
3. An annual budget will be allocated by appropriations from annual Net Profit After Tax,
4. No expenditure will be made for militancy/terrorism or acts prohibited by AML/CFT acts and regulations and any suspected event/act abusing CSR funds must be reported to law enforcing agency as well as further expenditure will be discontinued assistance,
5. Banks/FIs having no After-Tax Net Profit may not go for new/fresh CSR commitments and only continue previous commitments as well as indirect CSR expenditures.

- **Priority sectors**

[3] Arm's length basis transaction: A transaction in which the buyers and sellers of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party.

1. Education and job-focused vocational training for the underprivileged (both scholarship and institutional capacity building) will have 30% of total CSR expenditures;
2. Preventive and curative healthcare for the underprivileged (individual patient treatment; capacity building of the hospital and medical centers; improvement of public health, sanitation and hygiene condition) will have 20%;
3. the rests will be for emergency disaster relief; promoting the adoption of environmentally sustainable output practices and lifestyles; artistic, cultural, literary, sports and recreational facilities for the underprivileged; upgrading facilities and life savings types of equipment in emergency rescue services like the fire brigades etc.; infrastructure improvement for disadvantaged communities in remote far-flung areas.

➢ **Monitoring of CSR Expenditure by banks and FIs:**

- MoU should be prepared for CSR expenditure to institutions and disbursements should be designed in-phase/installments.
- Collecting and preserving documents should be pursued properly for CSR expenditure to individuals.
- Banks/FIs must ensure the proper utilization of CSR expenditure through direct monitoring at the end-use level.
- Board must review the reports of CSR expenditure of preceding year before approving annual budget/fresh allocations.
- Banks/FIs must preserve and maintain all documents and records properly which will easily be available to their Internal Audit Department and BB Inspectors. (BB, 2014)

Yet, as a part of the COVID-19 management, BB sets the CSR contribution by banks in the health sector to at least 60% of the total CSR expenditure in June 2020. As BB prioritizes the GRI standards and Equator Principles for the adaptation by banks, this paper will evaluate the regulatory reporting framework with these two following a brief overview of them.

2.2.3 Core aspects of International standards (GRI Standard and Equator Principles) on Sustainability Reporting

Global Reporting Initiative (GRI) Standards: GRI is an independent international organization that has pioneered sustainability reporting since 1997. It helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest. The GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting. Since its inception in 1997, GRI has transformed itself from a niche practice to one now adopted by a growing majority of organizations. In fact, 93% of the world's largest 250 corporations report on their sustainability performance. The practice of disclosing sustainability information inspires accountability, helps identify and manage risks, and enables organizations to seize new opportunities. Reporting with the GRI Standards supports companies, public and private, large and small, protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations, enhancing reputations and building trust.

The GRI Standards represent global best practices for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development.

The modular, interrelated GRI Standards are designed primarily to be used as a set, to prepare a sustainability report focused on material topics. The three universal Standards are used by every organization that prepares a sustainability report. An organization also chooses from the topic-specific Standards to report on its material topics – economic, environmental, or social.

Preparing a report in accordance with the GRI Standards provides an inclusive picture of an organization's material topics, their related impacts, and how they are managed. An organization can also use all or part of selected GRI Standards to report specific information.

The 2019 update of GRI standards consists of two types of standards – Universal and Topic-specific. Under Universal Standards, there are three aspects to report on:

- Foundation
- General Disclosures
- Management Approach

Under Topic-specific Standards, there are three aspects to report on any of which can be chosen based on the materiality of the organizations (Table 1).

The Equator Principles: The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing, and managing environmental and social risk in project finance. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. As of May 2020, 105 financial institutions in 38 countries have officially adopted the Equator Principles, covering the majority of international Project Finance debt in emerging and developed markets. The Equator Principles, formally launched in Washington DC on 4 June 2003, were based on existing environmental and social policy frameworks established by the International Finance Corporation.

The standards have subsequently been periodically updated into what is commonly known as the International Finance Corporation Performance Standards on social and environmental sustainability and on the World Bank Group Environmental, Health, and Safety Guidelines. The Equator Principles have recently been revised and the fourth iteration of the Equator Principles was launched on 2020.

Equator Principles Financial Institutions (EPFIs) commit to implementing the EP in their internal environmental and social policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the Equator Principles. While the Equator Principles are not intended to be applied retroactively, EPFIs apply them to the expansion or upgrade of an existing project where changes in scale or scope may create significant environmental and social risks and impacts, or significantly change the nature or degree of an existing impact.

The Equator Principles have greatly increased the attention and focus on social/community standards and responsibility, including robust standards for indigenous peoples, labor standards, and consultation with locally affected communities within the Project Finance market. They have also promoted convergence around common environmental and social standards. Multilateral development banks, including the European Bank for Reconstruction & Development, and export credit agencies through the OECD Common Approaches are increasingly drawing on the same standards as the Equator Principles.

The Equator Principles have also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry and have provided a platform for engagement with a broad range of interested stakeholders, including non-governmental organizations (NGOs), clients and industry bodies.

Large infrastructure and industrial Projects can have adverse impacts on people and on the environment. As financiers and advisors, we work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way, and on an ongoing basis. Such collaboration promotes sustainable environmental and social performance and can lead to improved financial, environmental and social outcomes. Where appropriate, the Equator Principles Financial Institutions (EPFIs), will encourage the clients to address potential or actual adverse risks and impacts identified during the Project Development Lifecycle.

EPFIs, have adopted the Equator Principles in order to ensure that the Projects we finance and advise on are developed in a manner that is socially responsible and reflects sound environmental management practices. EPFIs acknowledge that the application of the Equator Principles can contribute to delivering on the objectives and outcomes of the United Nations Sustainable Development Goals (SDGs). Specifically, we believe that negative impacts on Project-affected ecosystems, communities, and the climate should be avoided where possible. If these impacts are unavoidable they should be minimized and mitigated, and where residual impacts remain, clients should provide a remedy for human rights impacts or offset environmental impacts as appropriate.

The Equator Principles apply globally and to all industry sectors. The Equator Principles apply to the financial products described below when supporting a new Project:

1. *Project Finance Advisory Services* where total Project capital costs are US$10 million or more.

2. *Project Finance* with total Project capital costs of US$10 million or more.

3. *Project-Related Corporate Loans* where all of the following three criteria are met:

i. The majority of the loan is related to a project over which the client has Effective Operational Control (either direct or indirect).

ii. The total aggregate loan amount and the EPFI’s individual commitment (before syndication or sell down) are each at least US$50 million.

iii. The loan tenor is at least two years.

4. *Bridge Loans* with a tenor of fewer than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described in 2 and 3 above.

5. *Project-Related Refinance and Project-Related Acquisition Finance*, where all of the following three criteria are met:

i. The underlying project was financed in accordance with the Equator Principles framework.

ii. There has been no material change in the scale or scope of the Project.

iii. Project Completion has not yet occurred at the time of the signing of the facility or loan agreement.

EPs consist of 10 Principles:

Principle 1: Review and Categorization

Principle 2: Environmental and Social Assessment

Principle 3: Applicable Environmental and Social Standards

Principle 4: Environmental and Social Management System and Equator Principles Action Plan

Principle 5: Stakeholder Engagement

Principle 6: Grievance Mechanism

Principle 7: Independent Review
Principle 8: Covenants
Principle 9: Independent Monitoring and Reporting
Principle 10: Reporting and Transparency

2.2.4 Key Features of Regulatory Reporting Framework on CSR in Banking Sector in Bangladesh:

Bangladesh Bank being the regulatory authority circulated the maiden regulatory reporting format for the banks on CSR in 2010. That format covered the following aspects:

1. Organizational strategy for good corporate governance, responsible stakeholder management, work environment quality management and environmental impact management actions.
2. Institutional engagement with borrowers, clients, suppliers and the relevant environmental and social impact.
3. CSR expenditures in different financial inclusion projects, social projects and community investment.

The financial inclusion projects were subsidized cost financing programs clustered in agricultural, environment-friendly and mobile-phone-based small ventures. The social projects and community investments were categorized in i. Education, ii. Health, iii. Disaster Management, iv. Environment, v. Sports, vi. Art & Culture and vii. Others.

For promoting gender parity in workplaces by banks, BB issued another regulatory framework in 2011 by ingraining the following aspects:

1. Female ratio in board members, permanent and contractual employees
2. Maternity leave and harassment policy
3. Daycare center facility
4. Transportation and Hygiene facility for female employees
5. Awareness building on gender parity within the organization

Following the 'Indicative guidelines for CSR expenditure allocation and end-use oversight' of 2014, a revised regulatory reporting format was circulated by replacing the 2010 format.

A comparative review between the core aspects between international standards and regulatory reporting framework on CSR has been shown in Table 2.

3. RESULTS

Following the comparison of GRI standards and Equator Principles (Table 2), the regulatory reporting framework of BB on CSR activities of banks was analyzed as such that the framework was only provisioned for the quantitative amount of CSR expenditures of banks and qualitative aspects of CSR expenditures of banks were not collected in critical view. As specified by Thomas (2019), even the third generation GRI framework falls short in capturing the non-financial values created for the stakeholders due to CSR involvement of the companies. Thomas (2019) termed such a limitation as "worrying" because the lack or absence of measures to identify the non-financial and unquantifiable worth of CSR will leave organizations with motivations to pay lip service to CSR activities no direct financial impact/value.

Also, no specific corporate governance indicators were available for assessing the CSR expenditure transparency, as well as no qualitative or quantitative indicators, was in the framework for assessing livelihood changes. The comparison clearly discloses that there was no scope for comparing the ratio of subsidized financing as of total financing.

Moreover, indicators used for environmental and social impact arising from the business and operational activities of the banks were not in the framework.

4. DISCUSSIONS

Contributions of the banking industry in CSR activities are significant in Bangladesh for many years (Hafez, 2018). Environmental and social sustainability in financing is a relatively new concept in Bangladesh (Karim, 2019). Bangladesh Bank has issued circulars with the aim of mainstreaming CSR activities and ensuring environmental and social sustainability. Although instructions have been given to banks to follow some of the globally acceptable guidelines, CSR initiatives remain voluntary rather mandatory for banks in Bangladesh.

We understand from the study that, the anticipation of Bangladesh Bank, apart from contributions in the stipulated sectors (health, education, employment generation, culture, sports, and relief for people affected by natural disaster etc.) as articulated in a different circular from the banks was as follows-

- *to embrace CSR in their management approaches and operations, with initiatives chosen in broad-based, extensive stakeholder engagement.*
- *adoption of socially and environmentally responsible practices in its own internal operations,*
- *make major CSR contribution by speeding up financial inclusion of the large socially disadvantaged rural and urban population segments;*
- *drawing them in with appropriate financial service packages and with financing programs innovatively designed to generate new employment, output and income*.

Again, from the comparison shown in Table 2, it is clear that the concept of as well as format used for CSR reporting is still not totally attuned with international standards like GRI and EP. As a consequence, this analysis of regulatory reporting framework of BB for CSR activities of banks in light of international standards leads to the following proposition:

4.1 Alignment of CSR reporting with sustainability reporting standards of GRI & EP

- BB should ingrain the quantitative and qualitative indicators from GRI standard and Equator principles into the regulatory reporting framework on CSR activities of banks
- Specific corporate governance indicators need to be set for assessing CSR expenditure transparency.
- Indicators for environmental and social impact arising from the business and operational activities of the banks need to be developed.
- Banks need to develop their capacity to implement sustainability reporting aligning with GRI standards and assessing their financing portfolio impact on environment and society in line with equator principles.
- BB can introduce ‘Impact Reporting’ to upgrade the regulatory reporting framework.

4.2 Reflecting precise contribution to sustainable economic practices through CSR activities by the banks, since BB has some mandate with CSR

- Regional or rural/urban segregation or sex-disaggregation of CSR expenditures need to be pursued in reporting.
- The number of beneficiaries or types of beneficiaries of CSR expenditures needs to be introduced.
- Qualitative indicators for assessing lifestyle transformation of beneficiaries need to be developed.
- The relational indicators on CSR and Digital Banking need to be ingrained.

The aim of sustainability reporting is greater organizational transparency about economic, environmental, social and governance performance. Sustainability reporting is used for assessing sustainability performance with respect to the law, norms, codes, performance standards and voluntary initiatives; demonstrating how the organization influences and is influenced by expectations about sustainable development; and comparing performance within an organization and between organizations over time, which will be accomplished by trailing the aforesaid propositions. Based on an analysis of the banking industry in Bangladesh Islam, Kokubu & Nishitani (2020) argued that companies positively response to the CSR reporting initatives taken by external stakeholders especially the regulators. Hence, a comprehensive regulatory framework incorporating the propositions stated above is likely to improve the CSR reporting practices of the industry.

5. CONCLUSIONS

Banking sector in Bangladesh has been going through critical transition for the last few years. Moreover, the COVID-19 situation reminded the urgency of sustainability in every economic sector. As a part of that, CSR actions of banks must be transparent, effective, lifestyle transformative and equally restorable. To ensure that supervision of regulatory agency is crucially important. Thus, the regulatory reporting framework needs to be updated according to the need of contemporary time and aligning with international standards. Because without appropriate data policy actions will be ineffective.BB should be made some criteria to distinguish between the banks conducting CSR practices and those not conducting, on the bases of their involvement in social banking and some percentage must be set for spending on CSR activities by all the established Banks and proper monitoring is required so that the Banks work for their profit along with contributing towards the society because Corporate social responsibility is just not the charity but practical implementation of ethical ideas towards the society. This study will help regulators benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives. It will also contribute to the increased understanding of risks and opportunities as well as emphasizing the link between the financial and non-financial performance of banks. Due to the ongoing pandemic and subsequent condition of the country, primary data collection was not possible about the suitability and credibility of CSR format from the user’s (banks) perspective. Yet again, the vicinity of sustainability reporting is so enormous that during the period of study; it was tough to wrap all pertinent issues and other standards in detail. Nevertheless, there is always scope for advanced research in this area by thoughtful scrutiny of other guidelines/standards alongside sustainability reporting practices of banks in diverse countries across the globe.

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Conflict of interests

The authors declare no conflict of interest in preparing this paper.

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TABLES

Table 1: Reporting Aspects under Topic-specific Standards of GRI

Economic	*Environmental*	*Social*
Economic Performance	Materials	Employment
Market Presence	Energy	Labor/Management Relations
Indirect Economic Impacts	Water and Effluents	Occupational Health and Safety
Procurement Practices	Biodiversity	Training and Education
Anti-corruption	Emissions	Diversity and Equal Opportunity
Anti-competitive Behavior	Effluents and Waste	Non-discrimination
Tax	Environmental Compliance	Freedom of Association and Collective Bargaining
	Supplier Environmental Assessment	Child Labor
		Forced or Compulsory Labor
		Security Practices
		Rights of Indigenous Peoples
		Human Rights Assessment
		Local Communities
		Supplier Social Assessment
		Public Policy
		Customer Health and Safety
		Marketing and Labeling
		Customer Privacy
		Socioeconomic Compliance

Source: Global Reporting Initiative (2019)

Table 2: Comparative Review among GRI, EP and BB CSR format

Issues	GRI	EP	BB reporting format
Description	The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts.	The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in project finance.	Half-yearly statement regarding initiatives in CSR programs undertaken by banks as per the prescribed format given by BB.
Purpose	It enables real action to create social, environmental and economic benefits for everyone.	It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.	Intended to provide a format for reporting of the CSR initiatives in a modest way as supplements to usual annual financial reports.
Evolution	Following the October 2016 launch of the GRI Standards, GRI undertook a world tour to unveil the Standards in various regions. In December 2016, GRI announced the focus of updates to the Standards that will take place in 2017. These include reviews and discussions on Standards- GRI 303: Water, GRI 403: Occupational Health and Safety, GRI 201: Economic Performance, GRI 306: Effluents and Waste, as well as human rights-related Standards.	The standards have subsequently been periodically updated into what is commonly known as the International Finance Corporation Performance Standards on social and environmental sustainability and on the World Bank Group Environmental, Health, and Safety Guidelines.	It was supposed eventually to be developed into full blown comprehensive reports in the GRI format. Like the statutory financial reports, the CSR reports are available in the public domain for perusal by stakeholders.
Design/ Structure/ Content	The modular, interrelated GRI Standards are designed primarily to be used as a set, to prepare a sustainability report focused on material topics. **1. Universal Standards:** ***Foundation:*** The starting point for using the GRI Standards. ***General Disclosures:*** Used to report contextual information about the organization.	Principle 1. Review and Categorization (based on IFC Performance Standards as below: 1. Assessment and Management of Environmental and Social Risks and Impacts 2. Labour and Working Conditions 3. Resource Efficiency and Pollution Prevention 4. Community Health, Safety, and Security	**1. Corporate Governance** Short description of the initiatives of institutionalizing corporate governance framework for the purpose of safeguarding the interests of shareholders and adding value to customers, shareholders, partners and employees, alike.

Issues	GRI	EP	BB reporting format
-Do-	***Management Approach:*** Used to disclose how the organization manages impacts related to each of its material topics. **2. Topic-specific standards** ***Economic:*** Economic Performance, Market Presence, Indirect Economic Impacts, Procurement Practices, Anticorruption 2016, Anticompetitive Behavior ***Environmental:*** Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Environmental Compliance, Supplier Environmental Assessment ***Social:*** Employment, Labor/ Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Nondiscrimination, Freedom of Association and Collective Bargaining, Child Labor, Forced or Compulsory Labor, Security Practices, Rights of Indigenous Peoples, Human Rights Assessment, Local Communities, Supplier Social Assessment, Public Policy, Customer Health and Safe, Marketing and Labeling, Customer Privacy, Socio economic Compliance.	5. Land Acquisition and Involuntary Resettlement 6. Biodiversity Conservation and Sustainable Management of Living Natural Resources 7. Indigenous Peoples 8. Cultural Heritage Principle 2: Environmental and Social Assessment Principle 3: Applicable Environmental and Social Standards Principle 4: Environmental and Social Management System and Equator Principles Action Plan Principle 5: Stakeholder Engagement Principle 6: Grievance Mechanism Principle 7: Independent Review Principle 8: Covenants Principle 9: Independent Monitoring and Reporting Principle 10: Reporting and Transparency	**2. Policy Issues** CSR Policy approved by board, Separate CSR unit/Foundation, CSR budget approved by board, Previous CSR commitments, Priority sector lending, Provision for restricting CSR allocation in favor of related person/entity **3. CSR Expenditure** ***Social Projects:*** Direct social interventions conducted by the bank, both as occasional/ remedial measures or sustainable/ continuous projects. ***Community Investment:*** Supplementing initiatives of Civil Society Organizations (CSOs), NGOs and institutions involved in social and environmental improvement. ***Priority sector/ subsidized lending:*** The amount of interest loss (if cost of fund> rate of interest) for lending to priority sectors (Agriculture, SME and Green Finance). **4. For promoting gender parity in work places**

Issues	GRI	EP	BB reporting format
Benefit	The practice of disclosing sustainability information inspires accountability, helps identify and manage risks, and enables organizations to seize new opportunities.	Where appropriate, the Equator Principles Financial Institutions (EPFIs), will encourage the clients to address potential or actual adverse risks and impacts identified during the Project Development Lifecycle.	Discloses information regarding adoption of socially and environmentally responsible practices in own internal operations, contribution to financial inclusion of the large socially disadvantaged rural and urban population segments; design of appropriate financial service packages and financing programs innovatively to generate new employment, output and income.
Stake holders	Reporting with the GRI Standards supports companies, public and private, large and small, protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations, enhancing reputations and building trust.	Equator Principles Financial Institutions (EPFIs) commit to implementing the EP in their internal environmental and social policies, procedures and standards for financing projects. It also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry and have provided a platform for engagement with a broad range of interested stakeholders, including NGOs, clients and industry bodies.	Banks and financial institutions are well positioned to foster CSR in their client businesses in various economic sectors, engaging with them in assessing the social and environmental impacts of the enterprises/projects seeking finance.
Reporting	Preparing a report in accordance with the GRI Standards provides an inclusive picture of an organization's material topics, their related impacts, and how they are managed. An organization can also use all or part of selected GRI Standards to report specific information. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development.	The Equator Principles have greatly increased the attention and focus on social/community standards and responsibility, including robust standards for indigenous peoples, labor standards, and consultation with locally affected communities within the Project Finance market. They have also promoted convergence around common environmental and social standards.	While adoption is voluntary and not mandatory, Bangladesh Bank is able to monitor CSR adoption and CSR performance of banks, as an additional dimension of their management performance. Discloses information of defined Sectors.

Source: GRI(2019), EP (2020), DOS Circular No. 01/2008, DOS Circular Letter No. 07/2010, DOS Circular No. 05/2011, GBCSRD Circular No. 07/2014, GBCSRD Circular Letter No. 06/2015