



CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE OF PUBLICLY TRADED MANUFACTURING COMPANIES IN BANGLADESH

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ABSTRACT

This study is aimed at analyzing Corporate Social Responsibility (CSR) disclosure of publicly traded manufacturing companies in Bangladesh based on the Global Reporting Initiative (GRI) standards and the legitimacy theory. The study used a stratified random sampling procedure to select the representative number of manufacturing companies listed in the country's largest capital market- the Dhaka Stock Exchange Limited (DSE). The study has analyzed the annual reports of 51 companies out of 202 manufacturing companies belonging to 11 different sectors. It has used the content analysis method to identify CSR disclosures made in the corporate annual reports. Content analysis used social and environmental categories of the GRI categorization. The study has used measurement instruments and coding processes for social and environmental disclosures adapted from previous works. Findings show that the selected companies have disclosed some CSR information in their annual reports but the CSR reporting pattern as well as the extent of such reporting is diverse across different company categories. The findings also suggest that the entire manufacturing companies do not follow the GRI standard completely to disclose CSR information and tend to focus on limited aspects only. The nature of disclosure was mostly declarative statements associated with good news or self-laudatory while bad news or neutral news was scant. This self-laudatory pattern of CSR disclosure implies that companies are trying to prove their positive stance toward society and the environment, which is consistent with legitimatizing motives. The study thus provides some support for legitimacy theory to explain current CSR practices. This study recommends that policy planners in Bangladesh make it mandatory for companies to disclose socio-economic-environmental information following international best practices such as the GRI standard categories.

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JEL Classification: Q01, Q56

Keywords: Corporate Social Responsibility, Legitimacy theory, CSR disclosure, CSR reporting, Disclosure practices

Submitted: 12/09/2021

Accepted: 25/05/2022

Published: 28/12/2023

1. INTRODUCTION

Corporate Social Responsibility (CSR) was initially defined by H.R. Bowen (1953, 44) as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those actions that are desirable in terms of the objectives and values of a particular society.” Later, Keith Davis (Davis and Blomstrom, 1966, 70) clarified the definition by iterating that “CSR is the businessmen’s decisions and actions that go beyond the firm’s direct economic and technical interest.” In the twenty-first century, disclosure of CSR information (such as employee concerns, community involvement, environmental concerns, etc.) becomes important as it might affect different stakeholders associated with the company. Following various corporate scandals around the world, business corporations are under pressure from NGOs, media, civil society, and government to make stakeholders aware of how effectively the corporations have performed in improving socio-economic and environmental well-being. To ensure corporations disclose adequate information on their socio-economic-environmental performance, international organizations have passed standards for reporting manuals that have worldwide acceptance; the most notable ones are the Global Reporting Initiatives (GRI) standards.

Many theories have tried to explain company CSR disclosure; the legitimacy theory has wide acceptance in academic and business circles because it focuses especially on social and environmental disclosure. The legitimacy theory was founded on the idea of “social contract,” which argues that “society allows companies to exist and in return, it expects to fulfill its expectations” (Shocker and Sethi, 1973). Thus, it is expected that a company’s survival in society relies on how it addresses the norms and values of a particular society in its day-to-day operations. A legitimacy gap develops, or a breach of contract exists when society’s expectations are not fulfilled.

In recent years, business operations of multinational corporations have been viewed as “a major cause of social,

environmental and economic problems in different parts of the world” (Zadek, 2004, Wheeler, Fabig and Boele, 2002;). Irresponsible corporate behavior, such as “deceiving customers, swindling investors, exploiting and even brutalizing employees, putting consumers at risk, poisoning the environment, cheating the government” is not uncommon (Vogel, 1992). Some corporations do engage in so-called CSR or philanthropic activities to hide their irresponsible behavior (Islam and Hossain, 2018_{a, b}). Porter and Kramer (2011) argued that “the more business has begun to embrace corporate responsibility, the more it has been blamed for society’s failure.” Companies in developing countries such as Bangladesh are also affected by the actions of multinational corporations. Therefore, adequate disclosure of corporate economic, social, and environmental information in tandem with global best practices such as the GRI standards is also imperative for local companies to protect stakeholder rights to information. Thus, the present study is aimed at investigating the extent of CSR disclosure of publicly traded manufacturing companies with the potential to explain legitimacy theory for CSR reporting practices in Bangladesh settings.

The subsequent sections of the study provide a brief overview of relevant literature related to CSR disclosure and its connectivity with legitimacy theory, before describing the research gap. Thereafter it describes the methodology of the study. Next, it presents and discusses the research findings, and articulates the research limitations and avenues for future studies. Finally, it concludes with recommendations.

2. REVIEW OF LITERATURE

2.1 EMPIRICAL STUDIES ON CSR DISCLOSURE

By CSR disclosure, we generally mean disclosing information related to company activities that may have social and environmental impacts using a medium (annual report/newsletters/websites/print/electronic/others related). Deegan and Rankin (1996, 51) viewed CSR disclosures as: “disclosures relating to the interaction between an organization and its physical and social environment inclusive of disclosures relating to human resources, community involvement, the natural environment, energy, and product safety.” Disclosure of environmental and social-related concerns (such as employee

concerns, community involvement, environmental concerns, etc.) is important as it might affect different stakeholders associated with the company. The business community has agreed with the World Business Council for Sustainable Development (1999) regarding disclosure of environmental and social performance in conjunction with economic performance through systematic public reporting. Wheeler and Elkington (2001) maintained that, in the twenty-first century, corporations have to make stakeholders aware of how effectively they have performed to improve socio-economic and environmental well-being. To regulate prepared reports focusing on company socio-economic and environmental performance, the United Kingdom has passed the Operating and Financial Review regulation. Many other countries and organizations are also formulating reporting standards to reflect the triple bottom line (economic, social, and environmental). The notable one is the Global Sustainability Standard Board (GSSB), which has issued the GRI standards that “represent the global best practices for reporting on a range of economic, social, and environmental impacts” (GRI Standards, 2016). The GSSB has developed GRI Standards interrelated to each other primarily to help organizations easily prepare sustainability reports. The GSSB viewed that “preparing a report under the GRI Standards demonstrates that the report provides a full and balanced picture of an organization’s material topics and related impacts, as well as how these impacts are managed” (GRI Standards, 2016).

Corporate social disclosure originated during the 1970s at which time several social accounting models were evolved (Belal, 1999). During the period, Ernst and Ernst (1978) pioneered empirical studies on CSR. In the later decades, “the focus shifted from social to environmental reporting and a good number of empirical studies, as well as philosophical discussions on the field, dominated the research agenda” (Belal, 1999). In the 1990s most of the empirical studies examined CSR disclosure from the developed world perspective. Ernst and Ernst (1978) conducted an empirical study between 1972 and 1978 investigating environmental and social-related information provided in corporate annual reports of Fortune 500 companies. The study revealed that 78% of companies disclosed information related to the environment, 67% disclosed for energy, 77% on fair business, 60% related to human resources, 72% related to community involvement, 37% related to product and 24% disclosed other social responsibility-related information.

A similar study conducted by Guthrie and Parker in 1990 used the content analysis technique to examine annual reports of 150

companies originating in the USA, UK, and Australia. The study results indicate that almost 98% companies from the UK, 85% companies from the USA, and 56% companies from the Australia disclosed CSR-related information (likewise Ernst and Ernst, 1978). The study by Guthrie and Parker (1990) also found that USA and UK companies disclosed “mostly monetary and non-monetary quantitative information”, while Australian companies disclosed “mostly declarative CSR-related information”. In 2013, another study was conducted by KPMG International on 4100 firms across 41 countries to examine CSR reporting practices. The survey results disclosed that American firms reported the most CSR-related information (i.e., 76%) followed by 73% of European firms, and 71% firms from the Asia Pacific region (KPMG International, 2013).

Similar studies have been conducted from the developing country perspective. Teoh and Thong (1984) and Sulaiman, Abdullah, and Fatima (2014) in Malaysia, Andrew, Gul, Guthrie, and Teoh (1989) in Malaysia and Singapore, Savage (1994) in South Africa, Tsang (1998) in Singapore, Abu Baker and Naser (2000) in Jordan, Imam (2000) and Belal (2001) in Bangladesh among others examined the extent of CSR disclosure in company annual reports. The results of those studies indicate the extent of CSR disclosure is much lower than that of the developed countries and focuses on human resources followed by community involvement and environmental performance. The extent of disclosure in the subcategories, however, was very low.

2.2 CSR AND LEGITIMACY THEORY

No generally accepted theory explains CSR disclosure of companies; however, legitimacy theory, the most widely used theory, explains especially environmental and social disclosure (Deegan, 2002; Campbell, Craven, and Shrides, 2003). Gray, Kouhy, and Lavers (1995) argued that the legitimacy theory provides a means of disclosing company information that may be empirically tested. Thus, the present study adopts the legitimacy theory to assess the extent of CSR disclosures by manufacturing companies in Bangladesh.

Dowling and Pfeffer (1975, 122) argued that “organizations seek to establish congruence between the social values and the norms of acceptable behavior in the larger social system”. Organizational legitimacy exists when both the value systems are congruent. There will be a legitimacy threat (i.e., legal, economic, or other social sanctions) if there is any incongruence between the two value systems.

Many of the prior studies (Deegan, 2000, 2002; Mathews, 1993; Patten, 1991,1992) supported the views of Shocker and Sethi (1973, 67) that the legitimacy theory relies on expressed or implied 'social contract' existing between any social institution/business firm and the society in which they operate. Shocker and Sethi (1973, 67) maintained that the firm survival and growth are based on: 1) delivery of some socially desirable ends to society in general, and 2) the distribution of economic, social, or political benefits to groups from which it derives its power. Shocker and Sethi (1973, 67) believe that as the sources of institutional power and the needs for its services are transient in the dynamic society, "an institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval". Shocker and Sethi (1973) argued that many groups of society express dissatisfaction with the business firm's inability to meet changing social needs and expectations. This happens mostly because the business uses traditional criteria to justify its legitimacy and relevance to society. The inability to fulfill changing social needs and expectations is known as the 'legitimacy gap'-- the difference between how an organization should act and how the organization does act (Lindblom, 1994). The 'legitimacy gap' if it persists will threaten the business's legitimacy (Lindblom, 1994).

Previous studies have examined empirically the relationship between CSR disclosure and social dissatisfaction arising from incongruence of the social contract, as supported by the legitimacy theory. In 1989, Guthrie and Parker examined the inter-relationship between CSR disclosure and public concern that arises because of unmet social expectations. The authors, however, failed to show if there is a positive link. Deegan and Rankin (1996) found that companies disclose favorable environmental and social concerns to get media attention, which implies a legitimating motive. This kind of CSR effort is "sometimes criticized as nothing more than window dressing, blue washing, greenwashing or a giant public relations campaign" (Waddock, 2008).

Gray et al. (1995) suggested that businesses that find a legitimacy gap can correct it by incorporating the following strategies: (1) educating and informing relevant stakeholders about authentic changes in organizational performance; (2) changing stakeholders' perceptions by keeping its actual behavior persistent; (3) manipulating perception by turning attention away from the particular issue through emotive symbols; and (4) changing performance expectations held by

external parties. The authors however suggested conditions when each of the alternatives can be used in practice: the first strategy is appropriate if there is actual shortfall in performance; the second strategy is fitting when the legitimacy gap exists due to public misperceptions; the third strategy is apt when there is manipulation; and the fourth strategy is appropriate when external parties expect responsibilities that are ‘unrealistic’ or ‘incorrect’ (Gray et al., 1995).

2.3 RESEARCH GAP

While a good number of empirical studies have scrutinized practices related to CSR disclosure, most of them have adopted the developed country perspective i.e., the USA, UK, Canada, Australia, and Western Europe (Ernst and Ernst, 1978; Guthrie and Parker, 1990; Roberts, 1992; Ahmad, Sulaiman, and Siswantoro, 2003). Very few studies have investigated CSR disclosure from the developing country perspective (Teoh and Thong, 1984; Andrew et al., 1989; Tsang, 1998; Das, 2013; Abu-Baker and Naser, 2000; Imam, 2000; Belal, 2001; Ahmad et al., 2003; Anwar et al., 2019). Some of the studies have been conducted in the context of Bangladesh; however, many of the works are now outdated. Unlike previous studies (Imam, 2000; Belal, 2001; Khan, Halabi, and Samy, 2009; Masud and Hossain, 2012; Azim, Ahmed, and D’Netto, 2011; Ahmed, 2013; Ullah and Rahman, 2015; Roy and Sarker, 2017) that mostly cover banks and financial companies mainly visible by their actions in society, the present study is unique in that it concentrates on the publicly traded manufacturing companies in Bangladesh. While some of the previous studies have been conducted on a single manufacturing concern (Azim and Azam 2013; Yesmine and Bhuiyah, 2015 on Pharmaceutical Companies, Rahim, 2017 and Ksiezak, 2016 on Ready Made Garments Industries), the present study presents a holistic picture of the whole manufacturing sector listed in the Dhaka Stock Exchange Limited. The present study is also unique because it has adopted the latest GRI standards published in 2016 (effective for reports from July 2018) and has prepared a checklist accordingly while previous studies (e.g., Bissoon, 2018) have used GRI standards published in 2014. Moreover, the study seeks to explain CSR disclosure based on legitimacy theory.

3. METHODOLOGY

3.1 POPULATION AND SAMPLE

The study visited the official website of DSE on 22 September 2020. As of that date, a total of 202 manufacturing companies were listed in the DSE. It used stratified random sampling procedure to ensure the sample is a fair representation of the population (hence, 202 manufacturing companies). Therefore, it considered 11 different manufacturing sectors as 11 strata and calculated relative frequencies (the number of companies in each stratum divided by population) and thereafter multiplied relative frequency with the number of companies of each stratum to find the required sample (shown in Table 1). In some cases, the actual sample was more than that of the required sample to make it plural and more representative (for example in strata-1, the required sample company is 0.24 or 1 but 3 companies were selected to improve representativeness. Accordingly, the total number of sample manufacturing companies for the study is 51 (while the required number is 33.24) or 25.24% of the population. The sample companies were then selected using a simple random sampling procedure; companies from each stratum were chosen using a lottery draw. This was possible because each listed company maintained an official website and published corporate annual reports.

TABLE 1
Sample Distribution

Stratum	Sector	Number of Company	Relative Frequency	Required Sample	Actual Sampled
	Cement	7	0.03	0.24	3*
	Ceramics	5	0.02	0.12	2*
	Engineering	40	0.20	7.92	8
	Food and Allied	17	0.08	1.43	4*
	Fuel and Power	19	0.09	1.79	4*
	Jute	3	0.01	0.04	2*

TABLE 1 (continued)

Stratum	Sector	Number of Company	Relative Frequency	Required Sample	Actual Sampled
	Paper and Printing	4	0.02	0.08	2*
	Pharmaceuticals and Chemicals	32	0.16	5.07	5
	Tannery	6	0.03	0.18	2*
	Textile	56	0.28	15.52	16
	Miscellaneous	13	0.06	0.84	3*
	Total Companies:	202	1.00	33.24	51

Source: Calculated based on information provided in the Official DSE website:
https://dsebd.org/by_industrylisting.php (Accessed 22/09/2020)

[N.B.: *Actual sampled more than that of the required sample]

3.2 DATA COLLECTION AND ANALYSIS

Like the previous studies (Islam and Hossain, 2018, 2019; Bissoon, 2018; Rizk, Dixon, and Woodhead, 2008; Ahmad et al., 2003; Gray et al., 1995) that used corporate annual reports to analyze CSR disclosures, the present study has also used corporate annual reports because annual reports are the main communication tool of the corporation and are considered to be more credible than any other media (i.e., Internet, website, newsletter, etc.) (Neu, Warsame, and Pedwell, 1998). The latest annual reports for the fiscal year 2018-2019 were used for the analysis.

This study has used the ‘content analysis’ method to investigate CSR disclosures made in the annual reports of the selected manufacturing companies. Content analysis has been defined by Neuman and Kreuger (2003, 219) as “a technique for gathering and analyzing the content of the text. The content refers to words, meanings, pictures, symbols, ideas, themes, or any message that can be communicated.” The content analysis technique has been widely used by prior researchers to identify the pattern of CSR disclosure in corporate annual reports (Deegan and Gordon, 1996; Ahmad et al., 2003; Bissoon, 2018).

In content analysis research, the “construction of categorization is an essential stage” because it “involves the selection and development of categories into which content units can be classified” (Milne and Adler, 1999). Thus, the present study has used GRI categories, which “represent the global best practices for reporting on a range of economic, social, and environmental impacts” (GRI Foundation, 2016). In this study, economic disclosure has not been considered because the aim is to assess social and environmental disclosure.

The study has used measurement instruments (see Appendix 1) from the review of previous studies particularly from Hackston and Milne (1996). The measurement instruments used in the present study have four dimensions: (a) Themes: according to GRI social and environmental categorization, 2016 (see Appendices 1); (b) Evidence: monetary, non-monetary-quantitative and declarative (Ernst and Ernst, 1978); (c) News type: good, bad and neutral (Bissoon, 2018); and (d) Number of pages.

Besides that, this study has also maintained standard during the coding process. The coding process or the ‘decision rules for social disclosure’ (detailed in Appendix 2) were adapted from the works of Hackston and Milne (1996). It has used keywords for each category of CSR disclosures from the review of existing literature particularly from Hackston and Milne (1996), Ernst and Ernst (1978) and GRI categories (Detailed in Appendix 2 and 1 respectively). The keywords were detailed out in a separate sheet to make it more understandable and reliable and at the same time simpler to use.

4. RESULTS AND DISCUSSION

This study has found that all the 11 company categories in the Bangladesh manufacturing sector have disclosed some CSR information in the annual reports but the CSR reporting pattern as well as the extent to which the companies report is diverse across different company categories. Table 2 details the incidence of disclosure by the sample manufacturing companies listed in the DSE. In 2019, the 51 sample companies have published a total of 6089 pages of annual reports, which averages 119 pages, maximum of 276 pages, minimum of 51 pages and the range was 225 pages. Of the published pages, there were a total of 74 pages of CSR disclosures, which averages 1.5 pages (maximum 14 pages). The situation is more clearly detailed in Table 3 which shows CSR pages proportionately to the total pages by different company categories. Table 3 shows that only 1.22% of the

total pages disclosed CSR information. The disclosure rate is more pronounced in the Fuel and Power sector (3.53%) followed by 2.48% in Food and Allied, 2.18% in Cement, and 1.95% in Tannery. While the disclosure rate is as low as 0.27% in the miscellaneous sector followed by 0.51% in Jute, 0.57% in Textile, 0.77% in Paper, 0.80% in Ceramics, 0.88% in Engineering and 0.97% in Pharmaceuticals.

TABLE 2
Incidence of Disclosure (Pages)

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation
Total Disclosure (Pages)	51	225.00	51.00	276.00	6089.00	119.39	56.12
CSR Disclosure (Pages)	51	14.00	.00	14.00	74.08	1.52	2.79

Source: Calculated based on information provided in the corporate annual report

TABLE 3
Sector-wise CSR Disclosure (Pages)

Company Category	Total Page	CSR Page	CSR Page to Total Page
Cement	505	11.00	2.18%
Ceramics	335	2.68	0.80%
Engineering	1016	8.90	0.88%
Food and Allied	411	10.20	2.48%
Fuel and Power	462	16.30	3.53%
Jute	193	01	0.51%
Paper and Printing	259	02	0.77%
Pharmaceuticals	932	09	0.97%
Tannery	205	04	1.95%
Textile	1401	08	0.57%
Miscellaneous	370	01	0.27%
Grand Total	6089	74.08	1.22%

Source: Calculated based on information provided in the corporate annual report

Table 4 delineates that 29.4% (16 out of 51) of the sample companies do not disclose any information relating to CSR. The majority of the sample companies (31.4%) disclose less than or equal to 1/2 page CSR information (the minimum number of sentences is 2 lines). Only 13.7 companies provide exactly 2 pages of CSR information although the same percent of the sample companies provide more than two pages (the highest 14 pages provided by only one company). Thus, the findings show significant differences in the extent of CSR disclosures of different manufacturing companies in Bangladesh.

TABLE 4
CSR Disclosure (in pages)

Pages	Frequency	Percent	Cumulative Percent
0.00	15	29.4	29.4
Less than or equal 1/2	16	31.4	60.8
Greater than 1/2	2	3.9	64.7
1.00	3	5.9	70.6
1.50	1	2.0	72.5
2.00	7	13.7	86.3
More than 2	7	13.7	100.0
Total	51	100.0	

Source: Calculated based on information provided in the corporate annual report

The study also examined the exact location where the companies disclose CSR information in their annual report and found that as many as 45.1% of the companies disclosed CSR related information in the Director's briefing section in the annual report while merely 31.4% of the companies disclosed CSR related information in the pages mentioned in the content page (shown in the following Table 5). The rest of the companies (23.5%) disclosed CSR information indirectly in different other places.

As for the sample companies maintaining heading titled "corporate social responsibility" or "sustainability" on the content page to disclose CSR information, the present study has found that only 16 companies (29.4%) did that (Table 6 shows sector-wise details). Hence, it is clear that the majority of the manufacturing companies did not provide a 'heading' on the content page to help readers find the information. The findings suggest that there is a significant difference in disclosing CSR information in the annual reports of different manufacturing companies in Bangladesh.

TABLE 5
Location of CSR Disclosure

Location	Frequency	Percent	Cumulative Percent
Page mentioned in the content	16	31.4	31.4
Director's report	23	45.1	76.5
Other places	12	23.5	100.0
Total	51	100.0	

Source: Calculated based on information provided in the corporate annual report

TABLE 6
Heading in the Content or Not

Company Category	Heading in the content or not		Total
	Yes	No	
Cement	2	1	3
Ceramics	1	1	2
Engineering	2	6	8
Food and Allied	1	3	4
Fuel and Power	1	2	3
Jute	0	2	2
Paper and Printing	0	2	2
Pharmaceuticals	3	2	5
Tannery	2	0	2
Textile	4	12	16
Miscellaneous	0	4	4
Total	16	35	51

Source: Calculated based on information provided in the corporate annual report

The findings further suggest that manufacturing companies in Bangladesh do not follow GRI standard categories to disclose CSR information and tend to focus on limited aspects only. Tables 7 and 8 show the content analysis results regarding methods of CSR disclosure and news types of CSR Disclosure respectively according to GRI Standard Categories. The study investigates two major categories of CSR disclosures, namely environmental and social categories. Hence environmental aspect of CSR disclosure covers 8 sub-categories of items: “materials, energy, water, biodiversity, emissions, effluents and waste, environmental compliance, and suppliers’ environmental assessment” (GRI Standards, 2016). Results show that all the

companies disclose some aspects of environment-related CSR. Table 7 reveals that sub-category item such as 'environmental compliance' was disclosed by almost 100% of companies but in a declarative fashion in 98% of cases. Only 31.4% of companies disclose sub-category items such as energy followed by 25.5% companies disclose sub-category items such as materials and 7.8% companies disclose sub-category items such as Water and effluents in monetary form. In all other environmental sub-categories, most of the companies disclose declarative information. Some 96.1% of companies, however, do not disclose suppliers' environmental assessment followed by 68.6%, 58.8%, 54.9%, 31.4%, and 19.6% companies do not disclose information on biodiversity, emissions, water, effluents and waste, energy, and materials respectively.

On the other hand, the social aspect of CSR disclosure covers 19 sub-categories of items: "employment, labor-management relations, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor, security practices, rights of indigenous people, human rights assessment, local communities, supplier social assessment, public policy, customer health and safety, marketing and labeling, customer privacy and Socio-economic compliance" (GRI Standards, 2016). The results indicate that all the companies disclose some aspect of social-related CSR. Table 7 also reveals that 19.6%, 13.7%, and 3.9% of the companies disclose CSR information on social sub-category items such as local communities, employment, and training and education respectively in monetary form. In most of the other social sub-category items, however, companies disclose information in a declarative form. The most pronounced declarative social sub-category items are Occupational health and safety (60.8%), Labor-management relations (51%), Diversity and equal opportunity (45.1%), Security practices (35.3%), and Non-discrimination (31.4%) among others. It is worthwhile to note that none of the companies disclose information on 'freedom of association and collective bargaining' and on 'public policy' (donation to political parties) items. Again, the majority of the companies do not disclose information on the following items: Supplier social assessment (90.2%), Rights of indigenous people (90.2%), Forced or compulsory labor (88.2%), Customer privacy (88.2%), Human rights assessment (82.4%), Child labor (82.4%), Customer health and safety (58.8%), Security practices (62.7%), Non-discrimination (68.6%), Diversity and equal opportunity (54.9%), and Local communities (51%).

TABLE 7
Methods of CSR Disclosure by GRI Standard Categories

GRI Standard Categories	Methods of CSR Disclosure (in percentage)				Total
	Monetary	Non-monetary	Declarative	Do not disclose	
Environmental					
Materials	25.5	3.9	51.0	19.6	100
Energy	31.4	3.9	33.3	31.4	100
Water and effluents	7.8	0.0	37.3	54.9	100
Biodiversity	0.0	0.0	31.4	68.6	100
Emissions	2.0	0.0	39.2	58.8	100
Effluents and waste	0.0	5.9	39.2	54.9	100
Environmental compliance	2.0	0.0	98.0	0.0	100
Suppliers environmental assessment	0.0	0.0	3.9	96.1	100
Social					
Employment	13.7	9.8	68.6	7.8	100
Labor-management relations	2.0	2.0	51.0	45.1	100
Occupational health and safety	2.0	2.0	60.8	35.3	100
Training and education	3.9	11.8	56.9	27.5	100
Diversity and equal opportunity	0.0	0.0	45.1	54.9	100
Non-discrimination	0.0	0.0	31.4	68.6	100
Freedom of association and collective bargaining	0.0	0.0	0.0	100.0	100
Child labor	0.0	0.0	17.6	82.4	100

TABLE 7 (continued)

GRI Standard Categories	Methods of CSR Disclosure (in percentage)				
	Monetary	Non-monetary	Declarative	Do not disclose	Total
Forced or compulsory labor	0.0	0.0	11.8	88.2	100
Security practices	2.0	0.0	35.3	62.7	100
Rights of indigenous people	0.0	0.0	9.8	90.2	100
Human rights assessment	0.0	0.0	17.6	82.4	100
Local communities	19.6	0.0	29.4	51.0	100
Supplier social assessment	0.0	0.0	9.8	90.2	100
Public policy	0.0	0.0	0.0	100.0	100
Customer health and safety	3.9	0.0	37.3	58.8	100
Marketing and labeling	2.0	0.0	58.8	39.2	100
Customer privacy	0.0	0.0	11.8	88.2	100
Socio-economic compliance	0.0	0.0	51.0	49.0	100

Source: Calculated based on information provided in the corporate annual report

Likewise, the study further investigates the news type of CSR disclosure according to two major categories of GRI Standard, namely environmental and social category. In these cases, the study also uses 8 sub-categories of environmental disclosure and 19 sub-categories of social disclosure items (similar to items shown in Table 7). Results in Table 8 reveal that only 5.9% of companies disclose bad news associated with materials (environmental sub-category item). In all other environmental as well as social subcategories of items, the majority of the companies disclose information associated with good news followed by neutral news.

TABLE 8
News Types of CSR Disclosure by GRI Standard Categories

GRI Standard Categories	News Type of CSR Disclosure (in percentage)				
	Good News	Bad News	Neutral	Do not disclose	Total
Environmental					
Materials	52.9	5.9	21.6	19.6	100
Energy	51.0	0.0	17.6	31.4	100
Water and effluents	41.2	0.0	3.9	54.9	100
Biodiversity	27.5	0.0	3.9	68.6	100
Emissions	33.3	0.0	7.9	58.8	100
Effluents and waste	41.2	0.0	3.9	54.9	100
Environmental compliance	92.2	0.0	7.8	0.0	100
Suppliers environmental assessment	3.9	0.0	0.0	96.1	100
Social					
Employment	80.4	0.0	11.8	7.8	100
Labor-management relations	54.9	0.0	0.0	45.1	100
Occupational health and safety	58.8	0.0	5.9	35.3	100
Training and education	62.6	0.0	9.9	27.5	100
Diversity and equal opportunity	45.1	0.0	0.0	54.9	100
Non-discrimination	29.4	0.0	2.0	68.6	100
Freedom of association and collective bargaining	0.0	0.0	0.0	100.0	100
Child labor	17.6	0.0	0.0	82.4	100
Forced or compulsory labor	11.8	0.0	0.0	88.2	100
Security practices	35.3	0.0	2.0	62.7	100
Rights of indigenous people	11.8	0.0	0.0	90.2	102
Human rights assessment	15.6	0.0	2.0	82.4	100

TABLE 8 (continued)

GRI Standard Categories	News Type of CSR Disclosure (in percentage)				
	Good News	Bad News	Neutral	Do not disclose	Total
Local communities	45.1	0.0	3.9	51.0	100
Supplier social assessment	9.8	0.0	0.0	90.2	100
Public policy	0.0	0.0	0.0	100.0	100
Customer health and safety	39.2	0.0	2	58.8	100
Marketing and labeling	56.9	0.0	3.9	39.2	100
Customer privacy	11.8	0.0	0.0	88.2	100

Source: Calculated based on information provided in the corporate annual report

Overall, the manufacturing companies in Bangladesh do not follow GRI standard categories completely in disclosing their corporate information to meet stakeholder needs but these companies disclose some aspects of environmental as well as social categories that attract media attention or justify them as being good corporate citizens, which imply legitimating motive. The manufacturing companies in most cases disclosed favorable environmental as well as social issues in declarative form while the monetary and non-monetary methods of disclosure are almost absent. The companies also disclosed favorable environmental as well as social issues mostly associated with good news while bad news or neutral news is negligible. The pattern of disclosing good news is consistent with “green washing or a giant public relations campaign” (Waddock, 2008), which also implies legitimating motive. The pattern of disclosing good news is also consistent with the companies wanting to minimize public concern arising because of unmet social expectations. In many places of their social disclosures, the manufacturing companies in Bangladesh have disclosed information in such a way that reflects their positive stance toward society. Thus, the legitimacy theory is amenable to explain the pattern of CSR disclosures by the manufacturing companies in Bangladesh.

5. LIMITATIONS OF STUDY AND AREAS FOR FUTURE RESEARCH

The study suffers from some limitations. First, it has collected data solely from the corporate annual report. Although such reports are the main communication medium, other communication media such as corporate websites, newsletters, posters, print, electronic and social media have not been considered. Second, it has used data for the one-year period; the situation may be changed for the subsequent periods. Finally, the study has not conducted any interviews to justify the correctness of information provided in the annual reports. Future studies can overcome such limitations by conducting in-depth interview with the concerned stakeholders and covering different sources used for social and environmental disclosure. Future studies can also undertake similar research by including new dimensions of GRI standards categories as well as developing new coding processes appropriate for conducting content analysis.

6. CONCLUSION

The study aimed to analyze and evaluate the pattern of CSR disclosure by publicly traded manufacturing companies in Bangladesh based on GRI standards and the legitimacy theory. CSR has a great impact on sustainable development. CSR strategy states that companies will conduct business operations by being ethical, environment friendly, and beneficial to society in terms of development. By the same token, GRI standards represent the global best practices for reporting on a range of economic, social and environmental corporate impacts. As the study has analyzed the pattern of CSR reporting in relation to GRI standards, the outcomes of the study will assist policy planners and decision-makers of publicly traded manufacturing companies to identify gaps in the ongoing practices, to correct the existing deviation for better CSR reporting and to include new dimensions in their future initiatives for greater socio-economic-environmental development. The study has found that the nature of disclosure is mostly declarative statements associated with good news or self-laudatory while bad news or neutral news is absent. This implies that companies are trying to prove their positive stance toward society and the environment, which is consistent with legitimatizing motives. The study thus provides support for the legitimacy theory to explain current CSR practices.

The findings show there is a significant difference in the nature and extent of CSR disclosures of manufacturing companies. The selected companies do not follow GRI standard categories completely; rather, they disclose some favorable aspects of the GRI standard categories. The study finds significant variation in presentation style of social and environmental disclosures as well as voluntary nature of presenting social and environmental information. These variations will create problems for the stakeholder in finding out which companies are socially responsible in the true sense. Thus, the study recommends that policy planners in Bangladesh make it mandatory for companies to disclose socio-economic-environmental information following international best practices such as the GRI standard categories.

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APPENDIX 1

"GRI Standard Categories

Main Category	Sub Categories
Economic	<ol style="list-style-type: none"> 1. Economic performance 2. Market presence 3. Indirect economic impacts 4. Procurement Practices 5. Anti-corruption 6. Anti-competitive behavior
Environmental	<ol style="list-style-type: none"> 1. Materials 2. Energy 3. Water and effluents 4. Biodiversity 5. Emissions 6. Effluents and waste 7. Environmental compliance 8. Suppliers environmental assessment
Social	<ol style="list-style-type: none"> 1. Employment 2. Labor-management relations 3. Occupational health and safety 4. Training and education 5. Diversity and equal opportunity 6. Non-discrimination 7. Freedom of association and collective bargaining 8. Child labor 9. Forced or compulsory labor 10. Security practices 11. Rights of indigenous people 12. Human rights assessment 13. Local communities

APPENDIX 1 (continued)

Main Category	Sub Categories
	14. Supplier social assessment
	15. Public policy
	16. Customer health and safety
	17. Marketing and labeling
	18. Customer privacy
	19. Socio-economic compliance

Source: GRI Guidelines 2016 (effective for the report from July 2018)

APPENDIX 2**“Decision Rules for Social Disclosures”**

1. Discussions of directors’ activities are not to be included as a discussion on employees.
2. All sponsorship activity is to be included no matter how much it is advertising
3. All disclosures must be specifically stated and they cannot be implied.
4. Good/neutral/bad classifications are to be determined from the perspectives of the stakeholder groups involved.
5. If any sentence has more than one possible classification, the sentence should be classified as the activity most emphasized in the sentence.
6. Tables (monetary and non-monetary), which provide information, that is on the checklist, should be interpreted as one line equals one sentence and classified accordingly.
7. Innovations in products or services should not be included unless they are beyond what is necessary to compete in the marketplace or attract business.
8. Any discussion of pension funds or employee share schemes would be classified as good news unless it was clear to the contrary, e.g., that the schemes had been scrapped.
9. Any disclosure that is repeated shall be recorded as a CSR sentence each time it is discussed.
10. Discussions relating to the quality of goods and services will not be a CSR unless it contains notice of a verifiable change in quality, e.g., accreditation to the International Standards Organization ISO 9000 quality series standard.

Source: Hackston and Milne (1996, 108)