

# PROJECT REPORT

On

## The Effect of Corporate Governance and Sustainability Reporting on Firm Performance: Evidence from Banking Sector in Bangladesh.

### Submitted to

Dr. Mohammad Tariq Hasan

Associate Professor

School of Business & Economics

### Submitted by

Name: Md. Rifat

Id: 114 201 007

School of Business & Economics



**United international university**

**Date of submission: 27<sup>th</sup> June, 2024**

## Letter of Transmittal

27<sup>th</sup> June, 2024

Dr Mohammad Tariq Hasan  
School of Business and Economics  
United International University  
Dhaka, Bangladesh.

Subject: Submission of the Project report on “The Effect of Corporate Governance and Sustainability Reporting on Firm Performance: Evidence from Banking Sector in Bangladesh”

Dear Sir,

As per your instructions, I am submitting my report titled " The Effect of Corporate Governance and Sustainability Reporting on Firm Performance: Evidence from Banking Sector in Bangladesh" as a requirement for the project you assigned me. I have tried to apply the concepts and methodologies you taught me. Also, it has been a rewarding experience working under your guidance. Per your instructions, I have included all the necessary sections, citations, and references.

Therefore, I pray and hope you will oblige me by accepting my report. I look forward to your feedback on it.

Sincerely,

Md. Rifat

ID: 114 201 007

E-mail: mohammadrifat203@gmail.com

## **Declaration of the student**

I, Md. Rifat, hereby states that the project titled “The Effect of Corporate Governance and Sustainability Reporting on Firm Performance: Evidence from Banking Sector in Bangladesh” was prepared by me, a student at United International University. I verify that the project work is authentic and has been finished by me. Also, References have been given to the sources of the work accordingly. I’m eager to convey my appreciation for the guidance I received from Dr. Mohammad Tariq Hasan, Associate Professor, at United International University.

Md. Rifat

ID: 114 201 007

## **Acknowledgement**

I am deeply grateful to Dr. Mohammad Tariq Hasan for providing me with crucial assistance as well as encouragement from the beginning till the end of the project titled “The Effect of Corporate Governance and Sustainability Reporting on Firm Performance: Evidence from Banking Sector in Bangladesh”. His guidance helped me to complete this project successfully. I acknowledge all the people who worked for the resources that I have used in this project.

## Abstract

**Purpose:** This study's principal objective is to investigate and assess how corporate governance and sustainability reporting affect firm performance in Bangladesh's banking sector. **Method:** This study is conducted on 30 listed banks on the Dhaka Stock Exchange (DSE) from 2018 to 2022. We followed a structured approach here. Firstly, we did a structured review of the available papers on the topic. Then, we collected data from the bank's financial reports, and this study contains 150 observations. Then, we made two analytical indexes for corporate governance and sustainability reporting, which are mentioned in Appendix A and B. A wide variety of approaches for data analysis were utilized, including correlation matrix, descriptive statistics, and regression analysis. For the validation of the data, we used the Jarque-Bera normality test. Lastly, Tobin's Q and net income before tax have been used to measure the bank's performance. **Results:** The tests that were conducted indicate that corporate governance and firm performance have a significant positive relation with bank performance. The positive relation refers to the importance of a sound corporate governance system with proper accountability, transparency, responsibility, and fairness within the company. Also, sustainability reporting practices enable a company to show its concern about society and the environment, which creates a positive image in the eyes of consumers and shareholders. Ultimately, it affects the company's profit, which this study's result proves. **Implications:** Our study's findings can motivate the regularity authority to make sustainability reporting and corporate governance mandatory to improve our country's bank performance.

**Keywords:** Corporate governance; sustainability reporting; firm performance, banking industry, Dhaka stock exchange, Bangladesh.

## TABLE OF CONTENTS

Letter of Transmittal .....	II
Declaration of the student .....	III
Acknowledgement.....	IV
Abstract.....	V
List of Figure .....	VIII
List of Tables.....	VIII
CHAPTER ONE: INTRODUCTION.....	9
1.1 Background of the study .....	9
1.2 Problem Statement .....	10
1.3 Research questions .....	10
1.4 Research Objectives.....	10
1.5 Scope Limitation of the Study.....	11
CHAPTER TWO: LITERATURE REVIEW .....	12
2.1 Theory.....	12
2.2 Corporate Governance and Firm Performance .....	13
2.3 Sustainability Reporting and Firm Performance.....	13
CHAPTER THREE: RESEARCH METHODOLOGY .....	15
3.1 Theoretical Framework .....	15
3.2 Sample selection.....	15
3.3 Variable definition and measurement.....	16
3.5 Research model.....	16
CHAPTER FOUR: ANALYSIS AND FINDINGS.....	17
4.1 Descriptive analysis .....	17
4.2 Correlation matrix.....	18
4.3 Diagnostic test.....	21
4.4 Regression model analysis .....	22
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION .....	24
5.1 Conclusions.....	24
5.2 Implication.....	25
References.....	26

Appendix-A.....	32
A1 Corporate Governance Index .....	32
Appendix-B.....	39
B1 Sustainability Reporting Index .....	39

## List of Figure

No	Title	Page Number
1.1	Study Framework	13
1.2	Normality of Data	18

## List of Tables

No	Title	Page Number
1.1	Sample Construction	14
1.2	Definition of Variables	14
1.3	Descriptive Analysis	15
1.4	Correlation Matrix	17
1.5	Normality Test	18
1.6	Regression Analysis	19



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

In this modern era, every firm is concerned about sustainable development and maximizing firm value. Firms want to maximize their profit but also have responsibilities towards society and the environment around them. Also, corporate governance is a critical factor that may have an effect on firm value. According to (Ratmono, Naugraghini, & Cahyonowati, 2021), an organization must make decisions not only based on economic or financial factors but also on long-term social and environmental consequences. Meeting such social and ecological obligations may have an effect on the firm's value. Firm Value is the company's performance, which is reflected by the stock price (Saitri, Mendra, & Mariyatn, 2021), the demand and supply of the shares in the capital market, which reflect the public or investor's assessment of the company's performance. The concern about the sustainable development of firms came from investors' behaviour towards sustainability. Investors are now concerned about how companies address their social and sustainability-related issues. Also, how corporate governance of the firm works for the betterment of the firm and the investors. Corporate governance for the banking sector continues to be the main focus. Recently, the world saw the fall of Silicon Valley Bank; one of the main reasons for the collapse is poor corporate governance. Corporate governance is a mechanism through which corporations are governed and controlled (Dabor, T. Isiyawe, Ajagbe, & Oke, 2015) to increase shareholder value and meet other stakeholders' expectations. Without proper governance, the firm will not be controlled and run properly. Good corporate governance improves economic efficiency and growth and enhances investor confidence. (Fanta, Kemal, & Waka, 2013).

Sustainability reporting has recently become a topic of concern for all industries worldwide. As the world faces constant environmental change, firms are also a part of it, creating an obligation toward the environment as firms cannot exist without the environment. Firms meet such obligations by disclosing economic, environmental, and social impacts that result from their daily business activities. Such impacts are reported

in the sustainability report. Many types of sustainability reporting frameworks are available nowadays. The most used one is GRI (Global Reporting Initiative). This study is conducted on Bangladesh's banking sector. It aims to determine the impact of Corporate Governance, Corporate Social Responsibility, and Sustainability Reporting on Firm Performance.

## **1.2 Problem Statement**

Corporate governance and sustainability reporting involve many factors, we need to find out which factors of factors are significantly affecting the performance of the banks. There are very few studies that have been conducted in the context of Bangladeshi banks, but this topic is crucial for a developing country like Bangladesh. So, the problem of the study is to find out the impact of corporate governance and sustainability reporting on the performance of Bangladeshi banks.

## **1.3 Research questions**

- a) Does corporate governance effect the firm performance in the banking sector of Bangladesh?
- b) Does sustainability reporting effect the firm performance in the banking sector of Bangladesh?

## **1.4 Research Objectives**

As this study is conducted using actual data from the bank websites and annual reports, it can be assumed that it will give practical, knowledgeable information to its readers about the effect of corporate Governance and Sustainability Reporting on bank Performance in our country. The study will show the readers how complying with corporate governance and sustainability reporting influences the operational and financial performance of the banks. The objectives of the study is as follows:

- a) To investigate the relationship between corporate governance and firm performance.

b) To investigate the relationship between suitability reporting and firm performance.

### **1.5 Scope Limitation of the Study**

The study is conducted only in the context of Bangladesh so that frameworks may differ for other countries. Also, we used only five years of data, where this may have affected accuracy. The data used for this study is collected from the official websites of the banks, which may lead to less accurate data.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Theory

The theoretical framework for this study is based on agency, stakeholder, legitimacy, and institutional theory. Agency theory considers managers as agents of the firm or company and shareholders as principals. Therefore, agency theory analyzes the relationship between agents and principals. Here, agents are entrusted to act on behalf of principals. In reference to corporate governance, agency theory will look into how the interests of agents differ from the principals. As we know, managers are agents of the stakeholders; managers or agents are responsible for making such decisions and following corporate governance in such a way that will affect the wealth creation for the stakeholders. According to the study by (Abid, Khan, Rafiq, & Ahmed, 2014), Agency theory is a revolutionary, robust foundation and is predominantly used to explain and predict phenomena in corporate governance. If there is a conflict of interest between the agent and the principal, it could be resolved by company policy. Agents are managers of the company or firm, working for their interests. They want incentives to maximize shareholder interest and align the interests of principals and agents (Filatotchev & Wright, 2011). Managers or agents make decisions on behalf of the principals or stakeholders, and they are believed to make sustainable decisions and give disclosures as sustainable reporting. An effective board monitoring of the management could enhance the quality of sustainability reporting ( Moses, Che-Ahmad, & Abdulmalik, 2020).

The Stakeholder theory implies that when a firm makes any decision, it should focus on the interests of stakeholders, which include consumers, suppliers, employees, and others who would be affected by such a decision, rather than only considering the interests of shareholders. A company pursues two goals: one is to generate income, and the second one is, no less importantly, to take good care of relationships with the environment and stakeholders on which it is dependent ( Galant, 2017). Such a theory makes corporate governance more effective. This is a noteworthy corporate governance theory because of the firm's accountability to a broader audience than its shareholders (Abid, Khan, Rafiq, & Ahmed, 2014). Management will ensure that the sensible decisions they make per

corporate governance practices will benefit and satisfy all stakeholders. Sustainability reporting provides more information about how a company discloses its impact on the environment and society, which is relevant to the stakeholder theory. Implementing stakeholder theory in sustainability accounting has positively impacted business practices, increasing transparency and accountability and focusing on long-term sustainability goals (Manalu, Manurung, Muda, & Kesuma, 2023).

## **2.2 Corporate Governance and Firm Performance**

Corporate governance influences investors' confidence, and the right corporate governance system can reduce the probability of future deficiency and bankruptcy. Corporate governance factors significantly influence bank performance (Bahreini & Zain, 2013). The return on equity (ROE) and return on assets (ROA) were used as the proxies for firm performance (Dabor, Isiavwe, Ajagbe, & Oke, 2015). Corporate governance significantly influences financial and accounting performance (Malik & Naushad, 2015). However, some studies show that various corporate governance factors don't possess an insignificant relationship with firm performance or possess a moderate relationship with firm performance. Corporate governance has a mild impact on the performance of both private and state banks in Sri Lanka (Alagathurai & Nimalathashan, 2013). Effective operation and transparency develop the firm's reputation from the perspective of investors, resulting in a positive and statistically significant association between corporate governance and the financial performance of financial institutions (Lin & Qamruzzaman, 2023).

H<sub>1</sub>: Corporate governance has a significant positive association with firm performance.

## **2.3 Sustainability Reporting and Firm Performance**

Sustainability reporting practice isn't mandatory but rather a voluntary disclosure made by firms to add more value to the firm and stakeholders (Masum, Hasan, & Miraz, 2020; Molla, Hasan, Miraz, Azim, & Hossain, 2021). A study where ESG reporting has been taken as a measure for sustainability reporting shows that implementation of the ESG standards has a positive impact on the firm's performance (Gavalas, 2024); (Paleni,

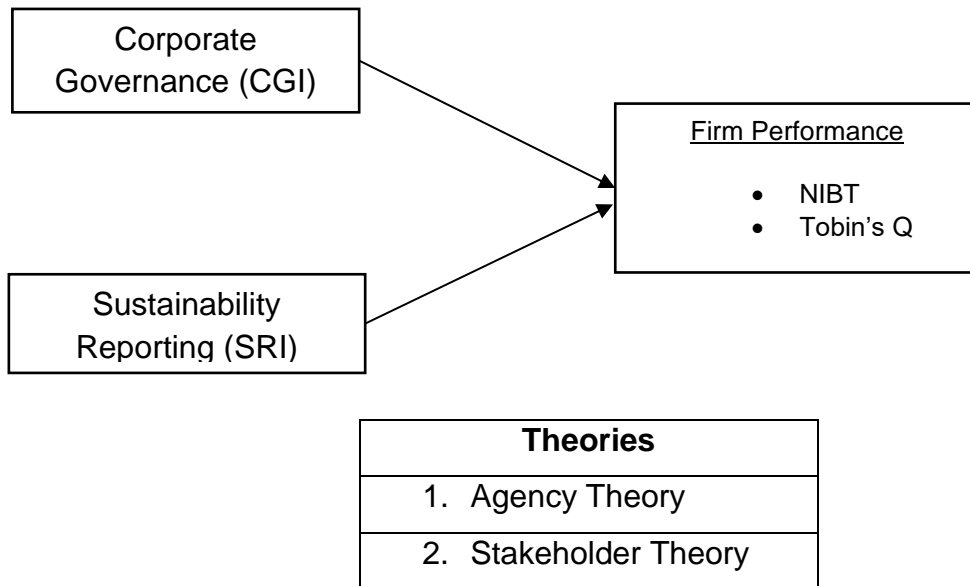
Nurazi, & Rahmayanti, 2024). Moreover, Sustainability Reporting has a significant influence on performance factors (ROA and ROE) (Almashhadani & Ahmed, The Impact of Sustainability Reporting on Promoting Firm performance, 2023). However, A study reveals that the sustainability reporting practices of a firm impact its performance negatively in the short run while positively in the long run ( Garg, 2015). The study based on Nigerian firms shows that sustainability reporting had a significant positive impact on the sample firms' revenue generation base and confirmed legitimacy theory (Uwuigbe, et al., 2018).

H<sub>2</sub>: Sustainability Reporting has a significant positive association with firm performance.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Theoretical Framework

This study has been driven by financial performance proxies, which include deposit growth, loan-to-deposit ratio, and return on asset (ROA), to analyze the effect of Corporate Governance and Sustainability Reporting on Bangladesh's banking sector. Such proxies are tested against the Corporate Governance Index and Sustainability Reporting Index.



**Figure 1.1: Study Framework**

### 3.2 Sample selection

This study is conducted on the 36 listed banks of Bangladesh. The data used for the study were extracted from the company's annual reports, the Bangladesh Bank website, and the bank's website (Hasan, Fakir, & Chakraborty, 2011; Hasan, Rekabder, Akter, & Sayem, 2009; Hasan, Ullah, & Huq, 2012). The time period of the study is 2018-2022. Six banks were enlisted after the mentioned period, so they were excluded from the study.

**Table 1.1 Sample Construction**

Description	Number of Companies
Initial Sample	36
Less: Companies listed after the concerned period	(6)
Final Sample	30

### 3.3 Variable definition and measurement

**Table 1.2 Definition of Variables**

Name of Variable	Symbol	Explanation
Net Income Before Tax	NIBT	Total amount of profit before tax
Tobin'sQ	TBQ	Market Value of Equity / Book value of Equity
Board Size	BDSZ	Total number of Board of directors
Growth in Deposit	GRT	(Current Deposit-Previous Deposit) / Previous Deposit
Loan to Deposit Ratio	LTD	Loans/Deposit
Return on Asset	ROA	Net income/Total Asset

### 3.5 Research model

#### Model 1

$$TBQ_{it} = \beta_0 + \beta_1 CGI_{it} + \beta_2 SRI_{it} + \beta_3 BDSZ_{it} + \beta_4 GRT_{it} + \beta_5 LTD_{it} + \beta_6 ROA_{it} + \varepsilon_{it} \quad 3.1$$

#### Model 2

$$NIBT_{it} = \beta_0 + \beta_1 CGI_{it} + \beta_2 SRI_{it} + \beta_3 BDSZ_{it} + \beta_4 GRT_{it} + \beta_5 LTD_{it} + \beta_6 ROA_{it} + \varepsilon_{it} \quad 3.2$$



## CHAPTER FOUR: ANALYSIS AND FINDINGS

### 4.1 Descriptive analysis

**Table 1.3 Descriptive Analysis**

Variables	Observation	Mean	Standard Deviation	Minimum	Maximum
NIBT	150	42.79915	42.22609	-352.7548	145.9292
TBQ	150	1.324	1.185535	-.3550948	7.270023
SRI	150	59.06061	13.77544	20.45455	81.81818
CGI	150	72.45382	4.761263	62.6506	98.79518
BDSZ	150	13.80667	4.294052	5	21
GRT	150	0.1038078	0.2260303	-.4737252	2.625224
LTD	150	0.9196515	0.1008434	0.6327922	1.127803
ROA	150	0.035918	0.1315221	-0.0599	0.73

Here, we have presented a summary of statistics. Table 1.4 shows that a total of 150 observations were taken for this study. The average net income before tax is 42.79915 for the banks of our country followed by a maximum value of 145.9292 and a minimum value of -352.7548. However, the standard deviation is 42.22609, which is slightly close to the mean or average value. The mean value of TBQ is 1.324, with a maximum and minimum value of 7.270023 and -.3550948, whereas the standard deviation is 1.185535. The mean values of SRI and CGI are 59.06061 and 72.45382, whereas the standard deviations are 13.77544 and 4.761263. Also, the BDSZ, which represents board size, indicates the mean of board members is 13.80667, followed by a standard deviation of 4.294052. GRT shows the growth rate of the banks' deposits. We can see that the mean growth rate is 0.1038078, which is 10.38%, with a standard deviation of 0.2260303. Next, the LTD shows the loan-to-deposit ratio; the mean is 0.9196515, and the standard deviation of 0.1008434, respectively. Lastly, the mean ROA is 0.035918 or 3.59%, which shows the current scenario of return on assets for the banks of our country, followed by the standard deviation of 0.1315221.

## 4.2 Correlation matrix

The correlation matrix is crucial for data analysis and statistics. It shows the correlation between variables, which are used in the dataset. The offered correlation communicates the initial confirmation of the relationship between the indicators of corporate governance and bank performance (Athar, Chughtai, & Rashid, 2023)(Hasan, 2020; Hasan, Hossain, Rekabder, Molla, & Ashif, 2022a; Hasan, Molla, & Khan, 2019; Molla et al., 2021). Where Correlation coefficient value 0 means no relationship, +1.0 shows a positive relationship, and -1 shows a negative relationship. The degree of correlation between 0.1 and 0.29 reveals a weak relationship; between 0.30 to 0.49 shows a medium relationship, and the correlation between independent variables should be less than 0.80 to avoid multicollinearity (Jadah, Muruglah, & Adzis, 2016).

In Table 1.5, we can find that all correlations of the independent variables are less than 0.80, and the highest one is 0.4119, which proves that there is no multicollinearity problem. However, any relationship between 0.50 to 0.99 shows a strong relationship. Also, there are three different levels of significance used in the correlation matrix, which are significance level 1%, significance level 5%, and significance level 10% (Hasan, 2020; Hasan, Hossain, Rekabder, Molla, & Ashif, 2022b; Hasan et al., 2019; Hasan & Rahman, 2017, 2019, 2020; Hasan, Rahman, Sumi, Chowdhury, & Miraz, 2020; Hasan, Rekabder, Hasan, & Kuri, 2023; Molla et al., 2021).

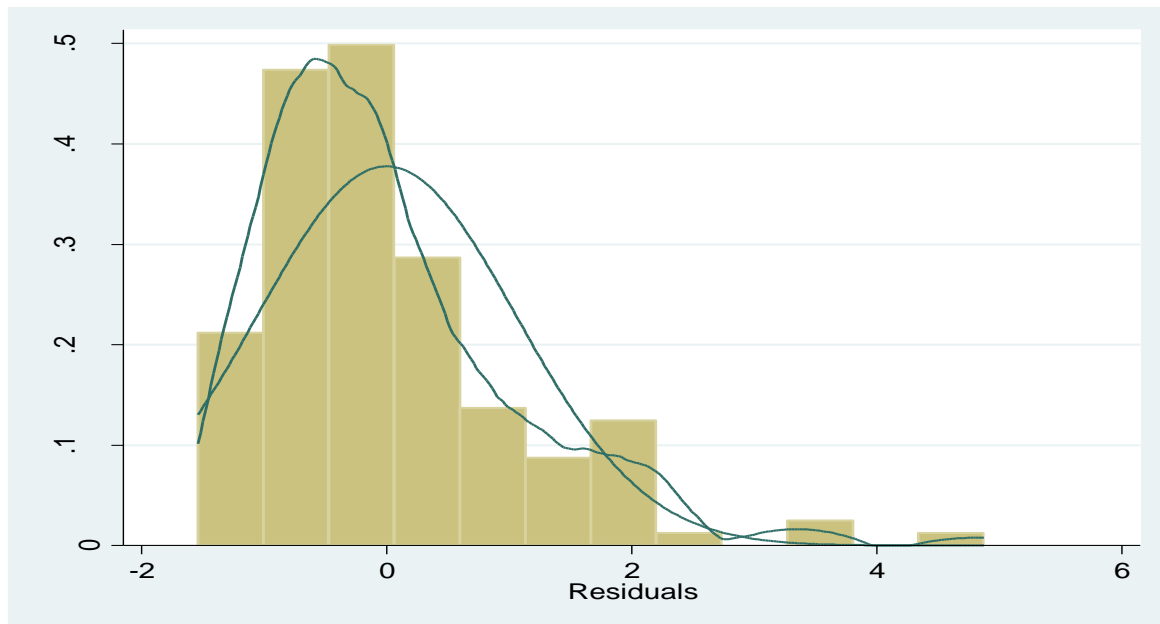
Table 1.5 shows that NIBT has a significant positive correlation with TBQ at 5% significance level, which means that the market performance of the firm also increases the net income of the firm. SRI, the sustainability reporting has a positive significant correlation with both NIBT and TBQ at 5% and 10% significance levels. We know TBQ represents the market performance of the bank, and the positive correlation indicates that proper sustainability reporting enhances the value of the shares in the eyes of the investors and results in a change in market performance (Dincer, Keskin, & Caner, 2023). However, CGI has a negative and not significant correlation with NIBT and TBQ, though

CGI has a significant but negative correlation with SRI (Al-Qudah & Houcine, 2023). Here, BDSZ has a significant positive correlation with NIBT, SRI, LTD, ROA and CGI at 5% and 10% levels of significance. Respectively, LTD has a significant positive correlation with SRI at a 1% level of significance. Lastly, ROA has a negative but significant correlation with SRI at a 5% level of significance.

**Table 1.4 Correlation Matrix**

	NIBT	TBQ	SRI	CGI	BDSZ	GRT	LTD	ROA
NIBT	1.0000							
TBQ	0.1775** 0.0298	1.0000						
SRI	0.2071** 0.0110	0.4199*** 0.0000	1.0000					
CGI	-0.0380 0.6441	-0.0566 0.4914	-0.1533* 0.0610	1.0000				
BDSZ	0.2025** 0.0130	-0.0062 0.9401	0.2879*** 0.0004	0.3296*** 0.0000	1.0000			
GRT	0.0812 0.3230	0.0008 0.9918	0.0269 0.7436	-0.0661 0.4214	-0.0670 0.4155	1.0000		
LTD	0.0939 0.2531	0.1156 0.1588	0.1478* 0.0711	0.1002 0.2226	0.2318*** 0.0043	-0.0723 0.3793	1.0000	
ROA	0.0562 0.4943	-0.0846 0.3035	-0.2014** 0.0135	0.0943 0.2509	0.2141*** 0.0085	-0.0138 0.8672	-0.0946 0.2495	1.0000
Significant at ***p<0.01, ** p<0.05, *p<0.1 level of significance								
<b>NIBT</b> - Net Income Before Tax; <b>TBQ</b> - Tobin'Q; <b>SRI</b> - Sustainability Reporting Index; <b>CGI</b> - Corporate Governance Index; <b>BDSZ</b> - Board Size; <b>GRT</b> - Deposit Growth each year; <b>LTD</b> - Loan to Deposit ratio; <b>ROA</b> - Return on assets								

### 4.3 Diagnostic test



**Figure 1.2 Normality of Data**

In Figure 1.2, we used the Jarque-Bera normality test. The test shows the data are normally distributed. The p-value is insignificant, which is a characteristic of the Jarque-Bera normality test. On the other hand, the Wooldridge test is used to identify autocorrelation in panel data. The result shows that the null hypothesis is rejected, which supports our study.

**Table 1.5 Normality Test**

Name of the test	Outcome
Wooldridge test for autocorrelation in panel data	H0: no first-order autocorrelation F (1, 29) = 23.426 Prob > F = 0.0000
Jarque-Bera normality test	Jarque-Bera normality test: 105.7 Chi (2) Jarque-Bera test for Ho: normality

#### 4.4 Regression model analysis

**Table 1.6 Regression Model Analysis**

Name of the Variables	Model 1 (TBQ as DV)	Model 2 (NIBT as DV)
SRI	0.0417018*** (0.0073254)	.4569225 (0.28062)
CGI	.0173758 (0.20508)	-.6586355 (0.785414)
BDSZ	-0.0542824** (0.0246)	1.662629* (0.94585)
GRT	-0.0824071 (0.393539)	16.04981 (15.076)
LTD	0.9117577 (0.909774)	17.33263 (34.8526)
ROA	0.3732175 (0.720572)	16.68007 (27.6044)
_cons	-2.491767 (1.671844)	22.37314 (64.0468)
Number of Observations	150	150
R-Squared	0.2062	0.0817
***p<0.01, ** p<0.05, *p<0.1		

Table 1.7 shows, two types of models are mentioned, where TBQ and NIBT are used as direct variables to describe the relationship. The relationship may be described between +1 and -1, whereas +1 means positive association and -1 means negative association. Also, there are three levels of significance, which are significance level 1%, significance level 5%, and significance level 10%. In Table 1.7, Model 1 indicates that TBQ as a direct variable, has a significant positive association with SRI at 1% level of significance. So, it can be addressed that there is a significant relationship between sustainability reporting and firm performance (Carvajal & Nadeem, 2022); (Gavalas, 2024). We know TBQ is a market performance indicator. The significant relation indicates the SRI and CGI have an impact on the market performance of the banks. CGI has no significant but positive relation with TBQ, which indicates corporate governance effectiveness has a positive

impact on Tobins'Q (Al-ahdal, Almaqtari, Tabash, Hashed, & Yahya, 2021); (Islam, Hossain, & Sayaduzzaman, 2024); (Hazza & Abdullah, 2022). TBQ has a significant negative relationship with BDSZ at a 5% level of significance and a negative, non-significant relationship with GRT. Respectively, TBQ also has a positive but no significant relationship with LTD and ROA.

On the other hand, Model 2, where NIBT is used as a direct variable, shows a positive but non-significant relationship with SRI (Almashhadani & Almashhadani, 2023), which means sustainability reporting has a relationship with the bank's performance. Also, NIBT has a positive association with GRT, LTD and ROA, which are not significant. In this modern era, everything is going green. Consumers are also concerned about how a firm uses environmental resources and what they are doing for the environment and society. So, firms or banks preparing sustainability reports show their concern for society and the environment, which increases net income. Respectively, BDSZ shows a significant positive relationship with NIBT at a 1% level of significance. However, NIBT has not significant and negative relationship with CGI, which indicates that CGI is not directly associated with firm performance. Some corporate governance components doesn't express significant association with firm performance (Nour & Khatib, 2021).

## CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

### 5.1 Conclusions

In this study, we used 150 observations to assess how corporate governance and sustainability reporting practices affect firm performance. The data used for the study was collected from the annual reports and the websites of the banks of Bangladesh from year 2018 to 2022. All the samples of the banks are listed bank in the Dhaka Stock Exchange. The regression analysis shows that sustainability reporting has significant positive with both performance proxies i.e., TBQ and NIBT. Similar findings have been found in a study by (Aifuwa, 2020). Sustainability reporting practices increase the performance of a firm in the long run ( Garg, 2015). At a 1% significance level, SRI has a positive significant relationship with firm performance. Good corporate governance improves a firm's market performance as there will be more transparency and accountability. Our study shows that TBQ and CGI have a positive relationship, which is consistent with the study of Kapil & Mishra (2019). As TBQ represents the market performance significant relationship indicates the proper disclosure of governance-related information. However, NIBT has a negative and not significant relationship with CGI. NIBT is an accounting-based performance measurement. The insignificant relationship indicates CGI affects market-based measures (Tobin'sQ) more than accounting-based measures (NIBT) (Kapil & Mishra, 2019); (Hamidah & Naimah , 2017). It also shows that BDSZ (1.66269, significant at 1% level), GRT (16.04981), LTD (17.33263), and ROA (16.68007) have a positive relationship with NIBT. The association between CGI and firm performance is multifaceted (Akhtar, 2024). But, as previously discussed effective corporate governance practices significantly influence firm performance, perhaps robust corporate governance practices are needed for enhancing both market and accounting performance. Lastly, It can be concluded that corporate governance and sustainability reporting practices have a significant positive impact on the listed banks in the Dhaka Stock Exchange (DSE) of Bangladesh.



## **5.2 Implication**

As Bangladesh has an emerging economy, this study can be both a theoretical and practical guideline for the professionals working in the listed banks, future researchers, or policymakers to increase monitoring in this area and find out which areas need more attention. Also, sustainability reporting is not mandatory yet and our study provides evidence that sustainability reporting has a significant impact on firm performance government may take steps to make sustainability reporting mandatory. Further, this study can be enhanced in many areas. One area may be to increase the timeframe of the study. We used five years of data, increasing the time frame will provide a clearer idea of the effect of corporate governance and sustainability reporting on bank performance. Another area may be to consider adding non-financial institutions and comparing the results to financial institutions to get a clearer picture of the situation.

## References

- Alamgir, M., & Uddin, M. (2017). *The Mediating Role of Corporate Image on the Relationship between Corporate Social Responsibility and Firm Performance: An Empirical Study*. Retrieved from [https://ijbds.usb.ac.ir/article\\_3399\\_650f2ffce1452a56e06d985dc8ffce86.pdf](https://ijbds.usb.ac.ir/article_3399_650f2ffce1452a56e06d985dc8ffce86.pdf)
- Bidhar, S., Salim, U., & Aisjah, S. (2013). *Effect of Corporate Social Responsibility Information Disclosure on Financial Performance and Firm Value in Banking Industry Listed at Indonesia Stock Exchange*. Retrieved from [https://www.researchgate.net/profile/Sandhika-Bidhari/publication/273135377\\_Effect\\_of\\_Corporate\\_Social\\_Responsibility\\_Information\\_Disclosure\\_on\\_Financial\\_Performance\\_and\\_Firm\\_Value\\_in\\_Banking\\_Industry\\_Listed\\_at\\_Indonesia\\_Stock\\_Exchange/links/54f929220cf28](https://www.researchgate.net/profile/Sandhika-Bidhari/publication/273135377_Effect_of_Corporate_Social_Responsibility_Information_Disclosure_on_Financial_Performance_and_Firm_Value_in_Banking_Industry_Listed_at_Indonesia_Stock_Exchange/links/54f929220cf28)
- Galant, M. (2017, July). *THE STAKEHOLDERS THEORY*. Retrieved from AS A STARTING POINT FOR THE CRITIQUE OF CORPORATE SOCIAL RESPONSIBILITY: <https://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element.desklight-f74a330f-5394-4ba0-b286-939fe49ff725>
- Garg, P. (2015, January). *Impact of Sustainability Reporting on Firm Performance of Companies in India*. Retrieved from [https://www.researchgate.net/publication/307872116\\_Impact\\_of\\_Sustainability\\_Reporting\\_on\\_Firm\\_Performance\\_of\\_Companies\\_in\\_India](https://www.researchgate.net/publication/307872116_Impact_of_Sustainability_Reporting_on_Firm_Performance_of_Companies_in_India)
- Latif, A., & Bukhari, S. (2024). *Unlocking Value: The Mediating Role of Corporate Governance on the CSR-Performance Link in the Banking Sector of Pakistan*. Retrieved from <http://jbm.com.pk/index.php/Journal/article/view/106/216>
- Liu, J., & Taylor, D. (2008, February 20). *Legitimacy and corporate governance determinants of executives*. Retrieved from <https://www.emerald.com/insight/content/doi/10.1108/14720700810853400/full/html>
- Malik, S., & Naushad, M. (2015). *Corporate Governance and Bank Performance: A Study of Selected Banks in GCC Region*. Retrieved from <https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=0f8b3da0474f21467cc6292a03553791d3a651b6>
- Moses, E., Che-Ahmad, A., & Abdulmalik, S. (2020). *Board governance mechanisms and sustainability reporting quality: A theoretical framework*. Retrieved from <https://www.tandfonline.com/doi/full/10.1080/23311975.2020.1771075>
- Abid, G., Khan, B., Rafiq, Z., & Ahmed, A. (2014). *Theoretical Perspectives of Corporate Governance*. Retrieved from [https://www.researchgate.net/publication/272349786\\_Theoretical\\_Perspectives\\_of\\_Corporate\\_Governance](https://www.researchgate.net/publication/272349786_Theoretical_Perspectives_of_Corporate_Governance)
- Ahmed, S., Islam, M., & Hasan, I. (2012). *Corporate Social Responsibility and Financial Performance Linkage Evidence from the Banking Sector of Bangladesh*. Retrieved from <https://deliverypdf.ssrn.com/delivery.php?ID=378070074070098096112107066094123076009075022081036087078089004067078005091125075007021011006001039100019101106011103090113093116049039081035027104118089071083098025069011095094067091127007108065096124079011082>

- Aifuwa, H. (2020). *sustainability reporting and firm performance in developing climes: a review of literature*. Retrieved from <http://dx.doi.org/10.12775/CJFA.2020.001>
- Akhtar, S. (2024). *Corporate Governance and Firm Performance: A Critical Analysis*.
- Alagathurai, A., & Nimalathashan, B. (2013). *Corporate Governance and Banking Performance: A Comparative Study between Private and State Banking Sector in Sri Lanka*. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2381188](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2381188)
- Al-ahdal, Almaqtari, Tabash, Hashed, & Yahya. (2021). *Corporate Governance Practices and Firm Performance in Emerging Markets*. Retrieved from [https://www.researchgate.net/profile/Waleed-Alahdal/publication/352796157\\_Corporate\\_Governance\\_Practices\\_and\\_Firm\\_Performance\\_in\\_Emerging\\_Markets\\_Empirical\\_Insights\\_from\\_India\\_and\\_Gulf\\_Countries/links/60e17db0458515d6fbfa54ea/Corporate-Governance-Practice](https://www.researchgate.net/profile/Waleed-Alahdal/publication/352796157_Corporate_Governance_Practices_and_Firm_Performance_in_Emerging_Markets_Empirical_Insights_from_India_and_Gulf_Countries/links/60e17db0458515d6fbfa54ea/Corporate-Governance-Practice)
- Almashhadani, M., & Ahmed, H. (2023, May). *The Impact of Sustainability Reporting on Promoting Firm performance*. Retrieved from [https://www.researchgate.net/profile/Mohammed-Almashhadani-2/publication/370199383\\_The\\_Impact\\_of\\_Sustainability\\_Reporting\\_on\\_Promoting\\_Firm\\_performance/links/64440d162d8ff0036393326c/The-Impact-of-Sustainability-Reporting-on-Promoting-Firm-performance.pdf](https://www.researchgate.net/profile/Mohammed-Almashhadani-2/publication/370199383_The_Impact_of_Sustainability_Reporting_on_Promoting_Firm_performance/links/64440d162d8ff0036393326c/The-Impact-of-Sustainability-Reporting-on-Promoting-Firm-performance.pdf)
- Almashhadani, M., & Almashhadani, H. (2023). *The Impact of Sustainability Reporting on Promoting Firm performance*.
- Al-Qudah, A., & Houcine, A. (2023). *Firms' characteristics, corporate governance, and the adoption of sustainability reporting: evidence from Gulf Cooperation Council countries*. *Emerald Insight*.
- Athar, M., Chughtai, S., & Rashid, A. (2023, February). *Corporate governance and bank performance evidence from banking sector of Pakistan*. Retrieved from [https://www.researchgate.net/profile/Sumayya-Chughtai/publication/370067116\\_Corporate\\_governance\\_and\\_bank\\_performance\\_evidence\\_from\\_banking\\_sector\\_of\\_Pakistan/links/6450dfad4af78873525154b6/Corporate-governance-and-bank-performance-evidence-from-banking-s](https://www.researchgate.net/profile/Sumayya-Chughtai/publication/370067116_Corporate_governance_and_bank_performance_evidence_from_banking_sector_of_Pakistan/links/6450dfad4af78873525154b6/Corporate-governance-and-bank-performance-evidence-from-banking-s)
- Bahreini, & Zain. (2013). Retrieved from <https://core.ac.uk/reader/234629740>
- Belasr, S., Gomes, M., & Pijourlet, G. (2020). *Corporate social responsibility and bank efficiency*. Retrieved from <https://hal.science/hal-02434348/document>
- Bhuyan, M., Lodh, S., & Perera, N. (2017). *The effects of corporate social disclosure on firm performance: empirical evidence from Bangladesh*. Retrieved from <https://ro.uow.edu.au/cgi/viewcontent.cgi?article=2225&context=buspapers>
- Carvajal, M., & Nadeem, M. (2022). *Financially material sustainability reporting and firm performance in New Zealand*.
- Dabor, A. O., T. Isiauwe, D., Ajagbe, M. A., & Oke, A. O. (2015, June 06). Retrieved from [https://d1wqtxts1xzle7.cloudfront.net/111350730/3641-libre.pdf?1707605577=&response-content-disposition=inline%3B+filename%3DImpact\\_of\\_Corporate\\_Governance\\_on\\_Firms.pdf&Expires=1716144859&Signature=Mk6E6v-l3leXJK9q0U12h-Gl5-IJHm7Zk5QonRE95t~CEO~GHVei-g8Zs](https://d1wqtxts1xzle7.cloudfront.net/111350730/3641-libre.pdf?1707605577=&response-content-disposition=inline%3B+filename%3DImpact_of_Corporate_Governance_on_Firms.pdf&Expires=1716144859&Signature=Mk6E6v-l3leXJK9q0U12h-Gl5-IJHm7Zk5QonRE95t~CEO~GHVei-g8Zs)

- Dabor, Isiauwe, Ajagbe, & Oke. (2015, June). Retrieved from <https://www.semanticscholar.org/paper/IMPACT-OF-CORPORATE-GOVERNANCE-ON-FIRMS%27-Dabor-Isiauwe/129b702825e4be5cab6f505be52e8deec9214c2>
- Dincer, B., Keskin, A., & Caner. (2023). Nexus between Sustainability Reporting and Firm Performance: Considering Industry Groups, Accounting, and Market Measures. *MDPI*.
- Dmytriiev, S., & Freeman, R. (2017, December). *Corporate Social Responsibility and Stakeholder Theory: Learning From Each Other*. Retrieved from [https://www.researchgate.net/publication/345050809\\_Corporate\\_Social\\_Responsibility\\_and\\_Stakeholder\\_Theory\\_Learning\\_From\\_Each\\_Other](https://www.researchgate.net/publication/345050809_Corporate_Social_Responsibility_and_Stakeholder_Theory_Learning_From_Each_Other)
- Fanta, Kemal, & Waka. (2013, June 30). Retrieved from [https://www.researchgate.net/profile/Ashenafi-Fanta/publication/275567862\\_Corporate\\_Governance\\_and\\_impact\\_on\\_Bank\\_Performance/links/55debe8e08ae7983897d1b2d/Corporate-Governance-and-impact-on-Bank-Performance.pdf](https://www.researchgate.net/profile/Ashenafi-Fanta/publication/275567862_Corporate_Governance_and_impact_on_Bank_Performance/links/55debe8e08ae7983897d1b2d/Corporate-Governance-and-impact-on-Bank-Performance.pdf)
- Filatotchev, I., & Wright, M. (2011, February). *Agency Perspectives on Corporate Governance of Multinational Enterprises*. Retrieved from <https://ideas.repec.org/a/bla/jomstd/v48y2011i2p471-486.html>
- Gavalas, D. (2024). *Does sustainability reporting affect firm performance?* Retrieved from <https://so04.tci-thaijo.org/index.php/MTR/article/view/266092/181327>
- Hamidah, & Naimah, Z. (2017). *The Role of Corporate Governance in Firm Performance*. Retrieved from [https://repo.uum.edu.my/id/eprint/21077/1/shsconf\\_four2017%201%206ivv.pdf](https://repo.uum.edu.my/id/eprint/21077/1/shsconf_four2017%201%206ivv.pdf)
- Hazza, O., & Abdullah, D. (2022). CORPORATE GOVERNANCE AND FIRM FINANCIAL PERFORMANCE: THE MEDIATING EFFECT OF EARNING QUALITY. *Scopus*.
- Huang, J., Lan, T., Chen, Y., Guo, L., & Li, H. (2021, February). *From driver to enabler: the moderating effect of corporate social responsibility on firm performance*. Retrieved from <https://hrcak.srce.hr/file/434770>
- Islam, N., Hossain, S., & Sayaduzzaman, M. (2024). Nexus between corporate governance disclosure and firm performance. *IJBRS*.
- Jadah, H., Muruglah, & Adzis, A. (2016). *The Effect of Board Characteristics on Iraqi Banks Performance*. Retrieved from [https://www.researchgate.net/publication/309615349\\_The\\_Effect\\_of\\_Board\\_Characteristics\\_on\\_Iraqi\\_Banks\\_Performance?enrichId=rgreq-97592a39ce7b1d13c628e2bc184c3ccc-XXX&enrichSource=Y292ZXJQYWdlOzMwOTYxNTM0OTtBUzo0MjM5NTk3MzM3NzlyODIAMTQ3ODA5MTI4NTE3Mg%3D%3D](https://www.researchgate.net/publication/309615349_The_Effect_of_Board_Characteristics_on_Iraqi_Banks_Performance?enrichId=rgreq-97592a39ce7b1d13c628e2bc184c3ccc-XXX&enrichSource=Y292ZXJQYWdlOzMwOTYxNTM0OTtBUzo0MjM5NTk3MzM3NzlyODIAMTQ3ODA5MTI4NTE3Mg%3D%3D)
- Kapil, S., & Mishra, S. (2019). *Corporate Governance and Firm Performance in Emerging Markets: Evidence from India*. Retrieved from <https://www.scirp.org/journal/paperinformation?paperid=94729>
- Lin, J., & Qamruzzaman, M. (2023, January). *The impact of environmental disclosure and the quality of financial disclosure and IT adoption on firm performance: Does corporate governance ensure sustainability?* Retrieved from <https://www.frontiersin.org/articles/10.3389/fenvs.2023.1002357/full>

- Manalu, C., Manurung, M., Muda, I., & Kesuma, S. (2023, December). *Implementation of stakeholder theory in sustainability accounting: a literature review*. Retrieved from [https://www.researchgate.net/publication/376847850\\_Implementation\\_of\\_stakeholder\\_theory\\_in\\_sustainability\\_accounting\\_a\\_literature\\_review?enrichId=rgreq-15beba53f8dabcec0c1d50ce00701e42-XXX&enrichSource=Y292ZXJQYWdIOzM3Njg0Nzg1MDtBUzoxMTQzMTI4MTIxNzQ3NDUzM](https://www.researchgate.net/publication/376847850_Implementation_of_stakeholder_theory_in_sustainability_accounting_a_literature_review?enrichId=rgreq-15beba53f8dabcec0c1d50ce00701e42-XXX&enrichSource=Y292ZXJQYWdIOzM3Njg0Nzg1MDtBUzoxMTQzMTI4MTIxNzQ3NDUzM)
- Nazir, M., & Afza, T. (2014, February). *Theoretical Perspective of Corporate Governance: A Review*. Retrieved from [https://www.researchgate.net/publication/287890145\\_Theoretical\\_Perspective\\_of\\_Corporate\\_Governance\\_A\\_Review](https://www.researchgate.net/publication/287890145_Theoretical_Perspective_of_Corporate_Governance_A_Review)
- Nour, A.-N., & Khatib, S. (2021). *The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic: Evidence from Malaysia*. Retrieved from [https://www.researchgate.net/publication/348408935\\_The\\_Impact\\_of\\_Corporate\\_Governance\\_on\\_Firm\\_Performance\\_During\\_The\\_COVID-19\\_Pandemic\\_Evidence\\_from\\_Malaysia](https://www.researchgate.net/publication/348408935_The_Impact_of_Corporate_Governance_on_Firm_Performance_During_The_COVID-19_Pandemic_Evidence_from_Malaysia)
- Olateju, D., Olateju, O., Adeoye, S., & Ilyas, I. (2021, March). *A critical review of the application of the legitimacy theory to corporate social responsibility*. Retrieved from <https://doi.org/10.20431/2349-0349.0903001>
- Paleni, H., Nurazi, R., & Rahmayanti, D. (2024, January). *Sustainability Reporting on Financial Performance, the Role of CSR Committee, Evidence from Indonesia*. Retrieved from <https://ijefm.co.in/v7i1/Doc/42.pdf>
- Ratmono, D., Naugraghini, D., & Cahyonowati, N. (2021, January). *The Effect of Corporate Governance on Corporate Social Responsibility Disclosure and Performance*. Retrieved from <https://koreascience.kr/article/JAKO202104142258637.page>
- Saitri, P., Mendra, N., & Mariyatn, N. (2021, March). *GOOD CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY, AND SUSTAINABILITY REPORT TO FIRM VALUE*. Retrieved from <https://journalkeberlanjutan.com/index.php/ijesss>
- Tops, D. (2017, October). *Corporate social responsibility, agency problems and social pressure*. Retrieved from <http://arno.uvt.nl/show.cgi?fid=144938>
- Uwuigbe, U., Teddy, O., Emmanuel, O., Asiriwa, O., Eytomi, & Taiwo. (2018). *SUSTAINABILITY REPORTING AND FIRM PERFORMANCE: A BI-DIRECTIONAL APPROACH*. Retrieved from [https://www.researchgate.net/profile/Osariemen-Asiriwa/publication/328651991\\_Sustainability\\_reporting\\_and\\_firm\\_performance\\_A\\_bi-directional\\_approach/links/5c46317ea6fdccd6b5bf10a4/Sustainability-reporting-and-firm-performance-A-bi-directional-approach.pdf](https://www.researchgate.net/profile/Osariemen-Asiriwa/publication/328651991_Sustainability_reporting_and_firm_performance_A_bi-directional_approach/links/5c46317ea6fdccd6b5bf10a4/Sustainability-reporting-and-firm-performance-A-bi-directional-approach.pdf)
- Wei, A.-P., Peng, C.-L., Huang, H.-C., & Yeh, S.-P. (2020, September). *Effects of Corporate Social Responsibility on Firm Performance: Does Customer Satisfaction Matter?* Retrieved from <https://www.mdpi.com/2071-1050/12/18/7545>
- Zheng, Y., Rashid, M., Siddik, A., Wei, W., & Hossain, S. (2022). *Corporate Social Responsibility Disclosure and Firm's Productivity: Evidence from the Banking Industry in Bangladesh*. Retrieved from <https://www.mdpi.com/2071-1050/14/10/6237>

- Hasan, M. T. (2020). *The effect of IFRS adoption on earnings management and the moderating role of corporate governance: Evidence from Bangladesh*. (Doctor of Philosophy Doctoral), Universiti Utara Malaysia. Retrieved from <https://etd.uum.edu.my/9413/>
- Hasan, M. T., Fakir, M. S. I., & Chakraborty, M. (2011). Evaluation of Auditors Compliance with ISA's: Evidence of Bangladesh. *The cost and management*, 39(1), 21-24.
- Hasan, M. T., Hossain, M. K., Rekabder, M. S., Molla, M. S., & Ashif, A. S. M. (2022a). IFRS adoption and real earnings management in Bangladesh: The role of board characteristics. *Cogent Business & Management*, 9(1), 2094587.
- Hasan, M. T., Hossain, M. K., Rekabder, M. S., Molla, M. S., & Ashif, A. S. M. (2022b). IFRS Adoption and Real Earnings Management in Bangladesh: The Role of Board Characteristics. *Cogent Business & Management*. doi: 10.1080/23311975.2022.2094587
- Hasan, M. T., Molla, M. S., & Khan, F. (2019). Effect of board and audit committee characteristics on profitability: Evidence from pharmaceutical and chemical industries in Bangladesh. *Finance & Economics Review*, 1(1), 64-76.
- Hasan, M. T., & Rahman, A. A. (2017). IFRS Adoption and earnings management: A review and justification of earnings management model for developing countries. *ELK ASIA PACIFIC JOURNAL OF FINANCE AND RISK MANAGEMENT*, 8(3), 43-60. doi: 10.16962/EAPJFRM/issn.
- Hasan, M. T., & Rahman, A. A. (2019). Conceptual framework for IFRS adoption, audit quality and earnings management: The case of Bangladesh. *International Business and Accounting Research Journal*, 3(1).
- Hasan, M. T., & Rahman, A. A. (2020). The Role of Corporate Governance on the Relationship Between IFRS Adoption and Earnings Management: Evidence From Bangladesh. *International Journal of Financial Research*, 11(4).
- Hasan, M. T., Rahman, A. A., Sumi, F. R., Chowdhury, A., & Miraz, M. (2020). The moderating role of audit quality on the relationship between IFRS adoption and earnings management: Evidence from Bangladesh. *International Journal of*

*Mechanical and Production Engineering Research and Development (IJMPERD)*, 10(03), 9141-9154.

Hasan, M. T., Rekabder, M. S., Hasan, M. M. U. H., & Kuri, P. K. (2023). Board influence on accruals management and the role of ownership structure: Evidence from Bangladesh. *Asian Economic and Financial Review*, 13(8), 559-575.

Hasan, M. T., Rekabder, M. S. J., Akter, S., & Sayem, S. M. (2009). Basel II: A challenge to and an opportunity for Banking in Bangladesh. *ASA University Review*, 03(01), 29-47.

Hasan, M. T., Ullah, M. E., & Huq, M. M. (2012). Credit Rating: A Tool for Evaluating Bank Performance. *IST Journal on Business & Technology*, 3(1-2), 184-197.

Masum, M. H., Hasan, M. T., & Miraz, M. H. (2020). Factors affecting the sustainability reporting: Evidence from Bangladesh. *International Journal of Mechanical and Production Engineering Research and Development (IJMPERD)*, 10(3), 8323-8338.

Molla, M. S., Hasan, M. T., Miraz, M. H., Azim, M. T., & Hossain, M. K. (2021). The Influence of Directors' Diversity and Corporate Sustainability Practices on Firm Performance: Evidence from Malaysia. *The Journal of Asian Finance, Economics and Business*, 8(6), 201-212. doi:

<https://doi.org/10.13106/jafeb.2021.vol8.no6.0201>

## Appendix-A

### A1 Corporate Governance Index

Clause	Indicators
<b>1</b>	<b>Board of Directors</b>
1(1)	Board size (numebr of Board members - minimum 5 and Maximum 20)
<b>1(2)</b>	<b>Independent Directors</b>
1.2.(a)	At least one-fifth (1/5) of the total number of board of directors shall be Independent Directors (ID) Complied
1.2 (b) (i)	IDs do not hold any share or holds less than 1% shares of the total paid-up shares of the Company
1.2(b) (ii)	ID is not a sponsor and not connected with any sponsor or director or nominated director or shareholder or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or ore shares of the total paid-up shares and his or her family members shall not hold above mentioned shares;
1.2 (b)(iii)	ID has not been an executive of the company in immediately preceding two financial years;
1.2 (b)(iv)	ID does not have any relationship whether pecuniary or otherwise relationship with the company or its subsidiary/associatedcompanies;
1.2 (b)(v)	ID is not a member or TREC holder, director or officer of any stock exchange;
1.2 (b)(vi)	ID is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;
1.2 (b)(vii)	ID is/was not a partner or an executive of company's audit firms engaged in Statutory Audit or Internal Audit or Special Audit or Compliance Certification of the Codes during preceding three years
1.2 (b)(viii)	ID shall not be independent director in more than five listed companies;
1.2 (b)(ix)	ID has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or NBF1;
1.2 (b)(x)	ID has not been convicted for a criminal offence involving moral turpitude;
1.2 ( c )	Appointment of ID shall be done by Board and approved by the shareholders in AGM.
1.2 (d)	The Post of ID cannot remain vacant more than 90 days.
1.2 (e)	The tenure of office of an ID shall be for three(3) years, which may be extended for one(1) tenure only;
<b>1.3</b>	<b>Qualification of Independent Director(ID):</b>
1.3(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, corporate laws, regulatory requirements and can make meaningful contribution to the business;
<b>1.3(b)</b>	<b>Independent director shall have the following qualifications:</b>
1.3(b)(i)	ID is a Business Leader who is/was a promoter or director of an unlisted company having minimum paid-up capital of One Hundred million or any listed company or a member of any national or international chamber of commerce or business association;
1.(3)(b)(ii)	ID is/was a Corporate Leader as top level executive as adopted by the code and a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company;
1(3)(b)(iii)	ID was Former official of government in the position not below 5th Grade of the national pay scale and educational background of bachelor degree in economics or commerce or business or law;
1(3)(b)(iv)	ID is/was University Teacher who has educational background in Economics or Commerce or Business Studies or Law;
1(3)(b)(v)	ID is/was a professional or an advocate practicing in the HCD of Bangladesh Supreme Court or a CA, CMA, CFA, CCA, CPA and CS or equivalent qualification;
1 (3) ( c )	The ID shall have at least Ten (10) years of experiences in any field mentioned in clause (b);
1 (3) (d)	Special cases for relaxing qualifications or experiences with prior approval of the Commission;



<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or CEO:</b>
1(4)(a)	The Position of the Chairman of the Board and the Managing Director (MD) and/or the Chief Executive Officer (CEO) of the Company shall be filled by different Individuals;
1(4)(b)	MD and/or CEO of a listed Company shall not hold the same position in another listed Company;
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors;
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or CEO;
1(4)(e)	In absence of Chairman, the remaining members may elect one from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence shall be duly recorded in the minutes.
<b>1(5)</b>	<b>Directors' Report to Shareholders:</b>
1(5)(i)	Industry outlook and possible future developments in the industry;
1(5)(ii)	Segment-wise or product-wise performance;
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;
1(5)(iv)	A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin, where applicable;
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);
1(5)(vi)	A detailed discussion and statement on related party transactions;
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;
1(5)(viii)	Explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing, etc.;
1(5)(ix)	Explanation by the Management if significant variance occurs between Quarterly Financial Performance and Annual Financial Statements;
1(5)(x)	Disclosure for remuneration paid to Directors including Independent Directors
1(5)(xi)	A statement that financial statements prepared by the management of the issuer present fairly its state of affairs, the result of its operations, cash flows, and changes in equity;
1(5)(xii)	Proper books of account of the issuer company have been maintained;
1(5)(xiii)	Appropriate accounting policies have been consistently applied in preparation to the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
1(5)(xiv)	Followed IAS or IFRS as applicable in preparation of the financial statement and departure therefrom has been adequately disclosed.
1(5)(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;
1(5)(xvii)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed;
1(5)(xviii)	Significant deviations from the last year's operation results of the issuer company shall be highlighted and the reasons thereof should be explained;
1(5)(xix)	Key operating and financial data of at least preceding 5 (Five) years shall be summarized;
1(5)(xx)	Reason for non-declaration of dividend (cash or stock) for the year.
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;
1(5)(xxii)	The number of Board meetings held during the year and attendance by each Director;
<b>1(5)(xxiii)</b>	<b>A report on the pattern of shareholding disclosing the aggregate (name wise details);</b>
1(5)(xxiii)(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);
1(5)(xxiii)(b)	Directors, CEO, Company Secretary, CFO, HIAC and their spouses and minor children (name wise details).

1(5)(xxiii)(c)	Executives (top 5 (five)) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details);
<b>1(5)(xxiv)</b>	<b>In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:</b>
1(5)(xxiv)(a)	A brief resume of the director.
1(5)(xxiv)(b)	Nature of his/her expertise in specific functional areas;
1(5)(xxiv)(c)	Names of the companies in which the person also holds the directorship and the memberships of committees of the Board;
<b>1(5)(xxv)</b>	<b>Management discussion and analysis signed by CEO/MD presenting detail analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</b>
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;
1(5)(xxv)(b)	Presenting detailed Changes in accounting policies and estimation as well as cash flows on absolute figure for such changes;
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance and position as well as cash flows for current financial year with immediately preceding five years explaining reasons thereof;
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and globe;
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure -B and as per Annexure-C.
1(6)	Meeting of the Board of Directors: Conducting Board meetings and recording the minutes of the meetings and keeping required books and records in line BSS as adopted by the ICSB;
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Office</b>
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC);
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company:</b>
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary Company;
2(b)	At least 1 (One) Independent Director of holding company shall be a director on the Board of subsidiary company;
2(c)	Minutes of subsidiary to be placed in the meeting of holding company;
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;
2(e)	The Audit Committee of the holding company shall also review the financial statements in particular the investments made by the subsidiary company.

<b>3.0</b>	<b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS):</b>
<b>3.1</b>	<b>Appointment:</b>
3(1)(a)	The Board shall appoint a MD or CEO, CS, CFO and HIAC;
3(1)(b)	The positions of the MD or CEO, CS, CFO and HIAC shall be filled by different individuals;
3(1)(c)	The MD or CEO, CS, CFO, and HIAC of a listed company shall not hold any executive position in any other company at the same time;
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;
3(1)(e)	MD or CEO, CS, CFO, and HIAC shall not be removed from their position without approval of the Board and be disseminated to the commission and stock exchange(s).
3 (2)	Requirement to attend Board of Directors' Meetings: MD or CEO, CS, CFO and HIAC shall attend the meetings of the Board;
<b>3.3</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and CFO:</b>
<b>3(3)(a)</b>	<b>The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:</b>
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members
3(3)( c)	The certification of the MD/CEO and CFO shall be disclosed in the Annual Report.
<b>4.</b>	<b>Board of Directors' Committee:</b>
4 (i)	Audit Committee
4 (ii)	Nomination and Remuneration Committee
<b>5.</b>	<b>Audit Committee:</b>
<b>5(1)</b>	<b>Responsibility to the Board of Directors</b>
5(1) (a)	Company shall have an Audit Committee as a sub-committee of the Board.
5(1) (b)	Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business;
5(1) (c)	Audit Committee shall be responsible to the Board. The duties of Audit Committee shall be clearly set forth in writing.
<b>5.2</b>	<b>Constitution of the Audit committee:</b>
5(2) (a)	The Audit Committee shall be composed of at least 3 (three) members.
5(2) (b)	Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least one independent director (ID);
5(2) (c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 years of such experience;
5(2) (d)	Casual vacancy shall be filled by the board not later than 1(one) month from the date of the vacancy.
5(2) (e)	The Company Secretary shall act as the Secretary of the Audit Committee;
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director;
<b>5.3</b>	<b>Chairperson of the Audit Committee:</b>
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;
5(3)(b)	Election of Chairman of the particular meeting in absence of regular Chairperson of Audit Committee recording the reasons of such absence in the minutes.

5(3)(c)	Chairperson of the Audit Committee shall remain present in the AGM.
<b>5.4</b>	<b>Meeting of the Audit Committee:</b>
5(4)(a)	The Audit Committee shall conduct at least 4 meetings in a financial year.
5(4)(b)	Quorum of Audit Committee, presence of 2 or 2/3 members whichever is higher, where the presence of an ID is a must.
<b>5.5</b>	<b>Role of Audit Committee:</b>
5(5)(a)	Oversee the financial reporting process;
5(5)(b)	Monitor choice of accounting policies and principles;
5(5)(c)	Internal Audit and Compliance process to ensure that it is adequately resourced;
5(5)(d)	Oversee hiring and performance of external auditors;
5(5)(e)	Hold meeting with the auditors, review the annual financial statements before submission to the Board for approval or adoption;
5(5)(f)	Review along with the management, the annual financial statements before submission to the board for approval;
5(5)(g)	Review along with the management, the quarterly and half-yearly financial statements before submission to the board for approval;
5(5)(h)	Review adequacy of internal audit function;
5(5)(i)	Review the management's discussion and analysis before disclosing in the Annual Report;
5(5)(j)	Review statement of all related party transactions submitted by the management;
5(5)(k)	Review management letters or letter of Internal Control weakness issued by statutory auditors;
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;
5(5)(m)	Oversee whether the proceeds raised IPO or RPO or Rights Share Offer have been utilized per the purposes stated in relevant offer document or prospectus approved by the Commission; Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.
<b>5.6</b>	<b>Reporting of the Audit Committee: audit committee report signed by Chairman of the committee</b>
<b>5.6 (a)</b>	<b>Reporting to the Board of Directors</b>
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.
<b>5(6)(a)(ii)</b>	<b>The audit committee shall immediately report to the board on the following findings, if any:-</b>
5(6)(a)(ii)(a)	Report on conflicts of interests;
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliance including securities-related laws, relies on and regulation;
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;
5.6 (b)	Reporting to the Authorities: If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier
5.7	Reporting to the Shareholders and General Investors: Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.

<b>6</b>	<b>Nomination and Remuneration Committee (NRC):</b>
<b>6.1</b>	<b>Responsibility to the Board of Directors</b>
6(1)(a)	The company shall have a NRC as a sub-committee of the Board.
6(1)(b)	The NRC shall assist the Board in the formulation of the nomination criteria or policy for determining qualifications, positive attributes experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b);
<b>6.2</b>	<b>Constitution of the NRC</b>
6(2)(a)	The Committee shall comprise of at least three members including an independent director (ID);
6(2)(b)	All members of the Committee shall be non-executive directors;
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;
6(2)(d)	Board shall have authority to remove and appoint any member of the committee;
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as an advisor who shall be a non-voting member if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;
6(2)(g)	The company secretary shall act as the secretary of the committee;
6(2)(h)	The quorum of the NRC meeting shall not constitute without the attendance of at least an independent director;
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company;
<b>6.3</b>	<b>Chairperson of the NRC</b>
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders.
<b>6.4</b>	<b>Meeting of the NRC</b>
6(4)(a)	The NRC shall conduct at least one meeting in a financial year.
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC.
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two-third of the members of the Committee, whichever is higher, where the presence of an independent director is must as required under condition No. 6(2)(h).
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.
<b>6.5</b>	<b>Role of NRC</b>
6(5)(a)	NRC shall be independent and responsible/accountable to the Board and to the shareholders;
6(5)(b)(i)(a)	NRC shall oversee, formulate & recommend to the Board regarding the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
6(5)(b)(i)(b)	Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;

6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top-level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
6(5)(b)(iv)	Formulating criteria for evaluation of performance of independent directors and the Board;
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria;
6(5)(b)(vi)	Developing recommending and reviewing annually the company's human resources and training policies.
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC at a glance in its annual report.
<b>7</b>	<b>External or Statutory Auditors</b>
<b>7(1)</b>	<b>The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-</b>
7(1)(i)	Appraisal or valuation services or fairness opinions.
7(1)(ii)	Financial information systems design and implementation.
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements.
7(1)(iv)	Broker-dealer services.
7(1)(v)	Actuarial services.
7(1)(vi)	Internal audit services or special services;
7(1)(vii)	Any other service that the Audit Committee determines;
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1);
7(1)(ix)	Any other service that may create conflict of interest.
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family shall not hold any shares in the said company.
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders;
<b>8</b>	<b>Maintaining a website by the company</b>
8(1)	The company shall have an official website linked with the website of the stock exchange.
8(2)	The company shall keep the website functional from the date of listing.
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).
<b>9</b>	<b>Reporting and Compliance of Corporate Governance</b>
9(1)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/ Cost and Management Accountant / Chartered Secretary) other than its statutory auditor or audit firm on yearly basis regarding the compliance of conditions of the Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.
9(2)	The professional who will provide the certificate on compliance of Corporate Governance shall be appointed by the Shareholders in the AGM.
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the Company has complied with these conditions or not.

## Appendix-B

### B1 Sustainability Reporting Index

No.	ITEMS
<b>(i) Disclosure of environmental issues:</b>	
1	Initiative for sustainable financing
2	Financing to ensure safe working environment for the worker
3	Invest in Bio-Gas plant program
4	Invest in Vermicompost program / Bio-fertilizer plants
5	Effluent treatment plant (ETP)
6	Financing in environment friendly brick kiln
7	Agriculture and rural credit
8	Introduction of agriculture loan product
9	Environmental responsibility
10	Green banking governance
11	Internal management of environmental resources
12	Paper consumption
13	Paper reduction framework
14	Material topics and topic specific disclosure
15	Water consumption
16	Waste management
17	Greenhouse gas emission
18	Solar plant powered branches/homes/ ATMs
19	Financing renewable energy and carbon offset project
20	Reducing energy and resource consumption
21	Initiative to reduce the bank's adverse impact on environment
22	Reducing carbon footprint
23	Online banking
24	SME financing
25	Land and forest ecological footprint
<b>(ii) Disclosure of programs/events:</b>	
26	Automation in banking system
27	Bio gas production technology programs
28	Effluent Treatment Plant (ETP) investment program
29	Hybrid Hoffman Brick Field (Environment friendly technology)
30	Solar home system
31	Solar irrigation plant
32	Green event: Earth day
33	Free Altitude subscription for one year

34	Pot Bonsais to customers
35	Environmental & Social (E&S) Risk Management Capacity Building
36	Environmental & Social Risk & Opportunities Management (ESROM 2.0)
37	In-house Training on "E&S Risk Management"
38	Workshop on "Environmental & Social Safeguard and Compliance Reporting" by Bangladesh Bank
39	E&S Training organized by IFC & FI Consult
40	Saving CO2 emission
41	Promoting Rural entrepreneurship
42	Production of Burnable Oil from Waste Tire by the Process of Pyrolysis
43	SME financing for woman entrepreneur
44	Earth Hour in working hour