Project Report

On

“Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh’s Listed Companies.”

Sumiya Akter Tonni

This report is submitted to the School of Business and Economics, United International University, as a partial requirement for the degree fulfillment of Bachelor of Business Administration.

“Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh’s Listed Companies.”

Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh's Listed Companies

Submitted to:

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Date of submission: March 11, 2026

Letter of Transmittal

March 11, 2026

Dr. James Bakul Sarkar

Professor, SoBE & Coordinator (BBA in AIS),

United International **University**

Subject: Submission of Project Report “Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh’s Listed Companies.”

Dear Sir,

With due respect, I am pleased to submit my project report titled **" Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh’s Listed Companies "**. This report has been prepared in partial fulfilment of the requirements of the Bachelor of Business Administration program at United International University.

The study assesses climate-related disclosure practices of 45 listed companies against IFRS S2 requirements, analyzing governance, strategy, risk management, and metrics dimensions.

I sincerely appreciate your continuous guidance and support throughout this research. Without your valuable feedback, this report would not have been possible.

I hope the report meets your expectations and would be grateful for your kind consideration.

I would be grateful for your kind support and consideration.

Sincerely yours,

Sumiya Akter Tonni

Student ID: 114221024

BBA in AIS

United International **University**

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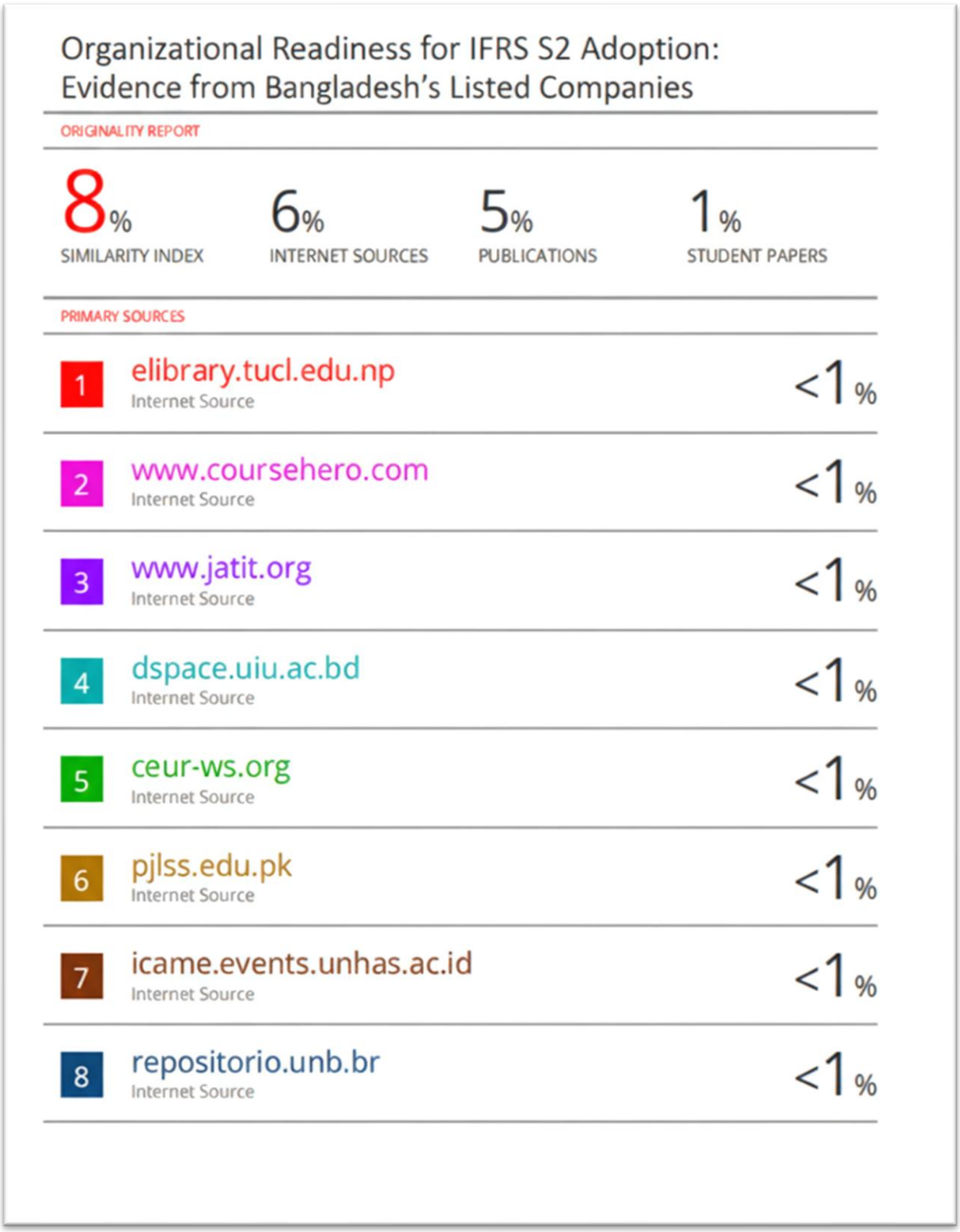

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Declaration of the Student

I,Sumiya Akter Tonni (ID:114221024), a student of the Bachelor of Business Administration program, majoring in Accounting and Information Systems at United International University, do hereby declare that the project report titled "Organizational Readiness for IFRS S2 Adoption: Evidence from Bangladesh's Listed Companies" has been prepared and submitted by me under the supervision of Prof. Dr. James Bakul Sarkar, as a requirement for the Bachelor of Business Administration degree at United International University.

This report has not been submitted, in whole or in part, to any other university, institute, or examination body for any academic or professional degree, diploma, or certificate. Except where explicitly stated, the analysis, interpretations, and conclusions presented in this report are based on my own work.

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First and foremost, I am grateful to the Almighty for giving me the strength, ability, and opportunity to complete this project report successfully as per the requirements.

I would like to express my sincere gratitude to my respected faculty supervisor, Prof. Dr. James Bakul Sarkar, for his continuous guidance, valuable suggestions, and unwavering support throughout the preparation of this project. Without his mentorship, this work would not have been possible. His supervision shaped every phase of the report, and I have had the privilege to learn immensely from his expertise during my undergraduate studies. I also had the opportunity to take some courses under his supervision, for which I am extremely grateful. His mentorship has been truly invaluable throughout my academic journey. Once again, thank you for your unwavering support. I look forward to staying connected and continuing to learn from your expertise.

My heartfelt thanks also go to the faculty members and administrative staff of the School of Business and Economics for their continuous support and cooperation throughout my studies at United International University.

Abstract

This study examines the organizational readiness of listed companies in Bangladesh for adopting IFRS S2: Climate-related Disclosures. Given Bangladesh's climate vulnerability and integration into global capital markets, understanding corporate preparedness for this international standard is critical.

Analyzing annual reports and sustainability disclosures of 45 companies across seven sectors from 2022-2024, the study finds that while climate reporting has increased (96% in 2024 vs. 73% in 2022), quality remains shallow. Current practices achieve only 31.5% of full IFRS S2 compliance, with a 68.5% preparedness gap. Critical deficiencies include near-absence of scenario analysis (0.16), Scope 3 emissions (0.20), and external assurance (0.16).

Banking leads in readiness (0.97) due to regulatory pressure; cement and ceramics lag (0.39). Large-cap companies (0.75) outperform mid-cap (0.48). Export-oriented firms show no advantage over domestic counterparts. Only 4% mentioned IFRS S2 in 2024 reports, indicating extremely low awareness.

Key challenges include regulatory uncertainty, data limitations, and expertise shortages. Hypothesis testing confirms governance (r=0.89), strategy (r=0.92), risk management (r=0.91), and metrics (r=0.87) significantly impact readiness. Regulatory pressure shows the strongest effect.

The study recommends phased adoption with targeted capacity building for lagging sectors.

Keywords: IFRS S2, climate disclosures, Bangladesh, listed companies, organizational readiness, regulatory pressure

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List of Abbreviations

IFRS – International Financial Reporting Standards

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 – Climate-related Disclosures

ISSB – International Sustainability Standards Board

ESG – Environmental, Social and Governance

TCFD – Task Force on Climate-related Financial Disclosures

GHG – Greenhouse Gas

GRI – Global Reporting Initiative

SASB – Sustainability Accounting Standards Board

SDGs – Sustainable Development Goals

CSR – Corporate Social Responsibility

BSEC – Bangladesh Securities and Exchange Commission

DSE – Dhaka Stock Exchange

RMG – Ready-Made Garments

SME – Small and Medium Enterprises

GDP – Gross Domestic Product

KPI – Key Performance Indicator

CHAPTER I: INTRODUCTION

1.1 Background of the Study

Sustainability and climate-related risks have become critical determinants of corporate performance and financial stability. Investors and regulators increasingly demand transparent disclosures about how organizations manage climate-related risks and opportunities. In response, the nternational Sustainability Standards Board (ISSB) introduced IFRS S2: Climate-related Disclosures, establishing a global baseline for comparable climate-related financial information.

IFRS S2 requires entities to disclose information on governance, strategy, risk management, and metrics and targets related to climate-related risks and opportunities. The standard enables investors to assess an entity's exposure to climate risks and potential financial impacts on enterprise value.

For Bangladesh, IFRS S2 adoption presents both opportunities and challenges. The country is highly vulnerable to climate change due to its geographical location and dependence on climate-sensitive sectors. Bangladeshi listed companies face increasing expectations from foreign investors and global supply chains to enhance climate disclosures. However, organizational readiness for IFRS S2 adoption remains uncertain, with many firms facing constraints such as limited awareness, inadequate data systems, and weak integration between financial and non-financial reporting. This study examines the organizational readiness for IFRS S2 adoption among listed companies in Bangladesh.

1.2 Statement of the Problem

While IFRS S2 aims to enhance transparency in climate-related reporting, its effective implementation depends on the organizational readiness of reporting entities. In Bangladesh, where sustainability reporting practices are still developing, the readiness of listed companies to adopt IFRS S2 remains a critical and underexplored issue.

Despite Bangladesh's high vulnerability to climate risks, climate-related disclosures by listed companies are often inconsistent, fragmented, and voluntary. Most disclosures lack systematic linkage to financial impacts and risk management processes as required under IFRS S2. A major problem lies in limited organizational capacity—firms

may lack appropriate governance structures, technical expertise, reliable data systems, and awareness of IFRS S2 requirements.

Furthermore, the absence of mandatory IFRS S2 adoption in Bangladesh creates uncertainty regarding compliance expectations. Without empirical evidence on current readiness levels, policymakers and regulators cannot design effective strategies to support implementation. This study addresses the gap in understanding the extent to which listed companies in Bangladesh are organizationally prepared to adopt IFRS S2.

1.3 Objectives of the Study

The primary objective is to assess the organizational readiness of listed companies in Bangladesh for IFRS S2 adoption.

Specific objectives include:

- To examine awareness and understanding of IFRS S2 among management of listed companies.
- To assess governance structures for climate-related oversight and accountability.
- To evaluate strategic integration of climate issues into corporate strategy.
- To analyze risk management practices for climate-related risks.
- To examine the availability and quality of climate-related metrics and targets.
- To identify key organizational challenges in preparing for IFRS S2 adoption.
- To explore the role of regulatory guidance in enhancing organizational readiness.

By addressing these objectives, the study aims to provide a comprehensive understanding of the current preparedness of Bangladeshi listed companies for IFRS S2 adoption and to offer insights that may assist regulators, policymakers, and corporate management in facilitating effective implementation of climate-related disclosure standards.

1.4 Theoretical Framework and Research Hypotheses

1.4.1 Theoretical Framework

This study integrates three theoretical perspectives. **Institutional Theory** suggests organizations adopt new practices in response to coercive, normative, and mimetic pressures. **Stakeholder Theory** emphasizes accountability to investors and global stakeholders requiring transparent climate information. **Organizational Readiness for Change Theory** focuses on organizational capacity and willingness to implement change successfully, reflected in leadership commitment, resources, and internal coordination.

1.4.2 Research Hypotheses

H1: Strong climate-related governance structures positively impact organizational readiness for IFRS S2 adoption.

H2: Integration of climate issues into corporate strategy positively influences organizational readiness for IFRS S2 adoption.

H3: Effective climate-related risk management practices are positively associated with organizational readiness.

H4: Availability of reliable climate-related metrics and targets enhances organizational readiness.

H5: External institutional pressures positively affect organizational readiness.

H6: Stakeholder pressure positively moderates the relationship between organizational readiness and IFRS S2 adoption.

1.5 Motivation of the Study

This study is motivated by the growing global emphasis on climate-related financial disclosures and the limited empirical evidence on IFRS S2 adoption readiness in emerging economies. Bangladesh's high climate vulnerability and integration into global capital markets create an urgent need to understand organizational preparedness. The findings aim to support evidence-based policymaking, identify capacity gaps, and contribute to academic literature on sustainability reporting in developing countries.

1.6 Scope and Limitations

Scope: The study examines organizational readiness for IFRS S2 adoption among companies listed on the Dhaka Stock Exchange, focusing on governance, strategy, risk management, and metrics and targets dimensions.

Limitations: The study measures readiness rather than actual adoption; relies on survey data potentially subject to response bias; excludes non-listed firms; uses cross-sectional data limiting analysis over time; and does not extensively examine sector-specific differences.

1.7 Definition of Key Terms

- **IFRS S2:** ISSB standard requiring disclosure of climate-related risks and opportunities.
- **Organizational Readiness:** Possession of necessary structures, resources, and processes for IFRS S2 adoption.
- **Climate-related Risks:** Physical and transition risks from climate change.
- **Governance:** Systems for climate-related oversight and accountability.
- **Strategy:** Integration of climate issues into business planning.
- **Risk Management:** Processes to identify and manage climate risks.
- **Metrics and Targets:** Indicators to measure climate performance.
- **Listed Companies:** Firms publicly traded on Dhaka Stock Exchange.
- **Stakeholder:** Individuals or groups that have an interest in or are affected by an organization's activities,
- **Institutional Pressure:** External forces arising from regulatory authorities, professional bodies, capital markets, and industry norms that influence organizations to adopt certain practices, such as IFRS S2-compliant climate-related disclosures.

CHAPTER II: REVIEW OF THE LITERATURE

2.1 Introduction

This chapter presents a comprehensive review of existing literature relevant to organizational readiness for IFRS S2 adoption. The review is structured into industry analysis and literature survey. The industry analysis examines Bangladesh's banking and financial services sector, focusing on characteristics shaping its reporting environment. The literature survey synthesizes academic studies, professional reports, and regulatory analyses addressing IFRS adoption, sustainability reporting, and organizational preparedness in Bangladesh and comparable emerging economies.

2.2 Industry Analysis

2.2.1 Specification of the Industry

The banking and financial services industry in Bangladesh comprises scheduled banks, non-bank financial institutions (NBFIs), insurance companies, and capital market intermediaries. Scheduled banks include state-owned commercial banks, specialized banks, private commercial banks, and foreign commercial banks. The sector operates under regulatory oversight of Bangladesh Bank, the Insurance Development and Regulatory Authority, and the Bangladesh Securities and Exchange Commission. Financial institutions prepare statements under IFRS as adopted in Bangladesh, with Bangladesh Bank issuing guidelines on Environmental Risk Management and Green Banking, creating a foundation for climate-related disclosures.

2.2.2 Size, Trend, and Maturity

The financial services industry has experienced significant growth, with banking sector assets exceeding GDP, indicating a bank-dominated system. The number of scheduled banks has stabilized following expansion, with consolidation becoming a policy focus. The industry shows moderate maturity, with established banks demonstrating sophisticated operations while smaller institutions develop capabilities. Reporting practices vary significantly—larger banks demonstrate advanced disclosures while smaller institutions maintain basic compliance. Integrated reporting adoption by some leading institutions represents an emerging trend.

2.2.3 External Economic Factors

The industry operates within a dynamic economic environment shaped by sustained GDP growth, moderate inflation, and climate vulnerability affecting loan portfolios. International trade dynamics, particularly garment exports, and remittance flows influence deposit mobilization. Monetary policy decisions, interest rate movements, and exchange rate fluctuations affect profitability. Foreign direct investment and development partner support contribute to regulatory reforms and capacity building.

2.2.4 Technological Factors

Technological transformation is reshaping the industry through mobile financial services, digital payments, and core banking upgrades, enhancing data management capabilities. Emerging technologies offer opportunities for climate risk assessment and emissions measurement. However, technological disparities exist—larger banks invest in advanced systems while smaller institutions struggle with legacy infrastructure. Data fragmentation remains challenging as climate-related information often resides in systems not integrated with financial reporting platforms.

2.2.5 Barriers to Entry

Significant barriers protect existing institutions. Regulatory barriers include stringent licensing requirements, minimum capital thresholds, and fit and proper criteria. Capital requirements have increased over time, ensuring institutional strength. Reputational barriers favor established institutions with customer trust. Economies of scale benefit larger institutions in spreading compliance costs. Access to skilled personnel presents barriers as the limited pool of qualified professionals is absorbed by existing institutions.

2.2.6 Supplier Power

Technology vendors hold significant power as institutions depend on critical infrastructure, with switching costs creating dependencies affecting system adaptation. Professional service providers exercise power through expertise constraints—the limited number of qualified auditors creates supplier power affecting audit quality and costs. Human capital suppliers influence personnel availability, with the small number of chartered accountants relative to demand creating talent shortages affecting reporting quality.

2.2.7 Buyer Power

Institutional investors demand transparent, decision-useful information, exercising power through investment decisions. Corporate borrowers influence reporting indirectly through data provision for financed emissions calculations. Regulatory authorities exercise power through prescribing requirements and enforcing compliance. International financial institutions influence reporting through conditional funding. Civil society increasingly demands environmental and social impact information.

2.2.8 Threat of Substitutes

NBFIs, microfinance institutions, and informal credit providers offer substitutes for traditional banking. Fintech companies and mobile financial service providers present growing substitute threats. Capital market financing provides substitutes for bank lending through bond issuances and equity offerings. Peer-to-peer lending and crowdfunding represent emerging substitute threats.

2.2.9 Industry Rivalry

Competition is intense, with numerous banks pursuing similar customer segments. Price competition affects profitability and resources for reporting infrastructure. Institutions compete on service quality and innovation, with reporting transparency becoming increasingly important for corporate reputation. Institutions achieving early compliance may gain reputational advantages, suggesting peer pressure may influence IFRS S2 readiness.

2.3 Literature Survey

The adoption of IFRS S1 and S2 in Bangladesh represents a significant shift toward standardized climate-related disclosures, driven by Bangladesh Bank action. Existing literature highlights growing recognition of these standards' importance, particularly for a climate-vulnerable country, yet widespread organizational readiness remains limited. Current insights are largely drawn from the banking sector, with BRAC Bank PLC cited as a pioneering case. However, challenges including fragmented data systems, high implementation costs, technical complexities in emissions measurement, and reliance on manual reporting processes are prevalent barriers.

International evidence on IFRS S2 readiness reveals patterns relevant to Bangladesh. A study examining global companies in high-emission industries found moderate compliance levels, largely driven by existing TCFD adherence, while newer IFRS S2-specific requirements showed low adoption. Disclosures were often scattered across multiple reports with minimal cross-referencing. Governance-related disclosures scored highest, while integration with financial statements was notably weak, with fewer than half obtaining external assurance for climate metrics.

Research on IFRS adoption in Bangladesh provides foundational understanding of implementation factors. A study examining IFRS adoption and real earnings management found that IFRS adoption significantly reduces real earnings management, with board characteristics playing a moderating role. Board expertise and gender diversity were negatively associated with earnings management, while CEO duality was positively related. These findings highlight that effective corporate governance mechanisms are essential for achieving financial reporting benefits.

The banking sector's experience with IFRS offers lessons for sustainability reporting implementation. A comparative study of conventional and Islamic financial institutions found that while IFRS adoption offers enhanced transparency, full application in Islamic banks conflicts with Shariah principles. Differences arise in deposit contracts, lease accounting, and revenue recognition. The research highlights the necessity of a tailored accounting framework for Islamic financial transactions and identifies challenges including high implementation costs and training requirements.

Research examining IFRS adoption in developing countries confirms patterns observed in Bangladesh. A study assessing IFRS adoption effects on financial reporting quality in developing countries found high IFRS awareness and varying adoption degrees, driven by regulatory pressures. Respondents perceived IFRS adoption as improving accuracy, transparency, and decision-usefulness. However, significant implementation challenges were identified: shortage of technical expertise, high costs, standard complexity, and insufficient institutional support.

Comparative analysis of IFRS adoption in India and Pakistan reveals the importance of contextual factors. Pakistan fully adopted IFRS due to external institutional pressures and weaker local standard-setting capacity. India pursued gradual convergence through Ind-AS, influenced by strong domestic institutions and

resistance from family-owned businesses. The research highlights that institutional, socio-political, and economic factors determine adoption outcomes, suggesting organizational readiness is deeply influenced by contextual forces.

The current state of sustainability reporting in Bangladesh provides a baseline for assessing IFRS S2 readiness. Research examining integrated reporting practices among NBFIs reveals that while some institutions show high compliance, overall adoption remains voluntary and inconsistent, with significant disclosure quality variability. The study highlights integrated reporting's nascent stage and identifies gaps in non-financial information communication, suggesting that organizational culture and management systems play crucial roles in effective implementation.

Research investigating impediments to IFRS implementation in Bangladesh revealed persistent barriers. Low audit fees emerged as the most frequently cited obstacle, with fees substantially lower than in neighboring countries. Lack of qualified accountants was equally prominent—Bangladesh has approximately 1,500 chartered accountants for over 80,000 registered companies. The study also identified lack of interest among managers, who perceive costs as outweighing benefits. Cultural factors present significant challenges, including a deeply ingrained culture of secrecy and a copying culture where accountants simply replicate notes from larger companies' statements without understanding requirements. Using institutional isomorphism as a theoretical lens, the study finds that coercive pressure from regulatory authorities is critically lacking.

Evidence from other emerging economies provides comparative perspective. A study examining environmental accounting disclosures among Indonesian hospital companies found most disclosed environmental costs in line with IFRS S1 due to national regulation overlap. However, IFRS S2-specific climate disclosure remained limited, attributed to absence of mandatory climate reporting requirements. The findings highlight that while regulatory frameworks can drive sustainability reporting, absence of explicit climate disclosure mandates results in inconsistent IFRS S2 adoption.

Synthesizing the literature reveals critical themes for understanding IFRS S2 readiness in Bangladesh. First, regulatory drivers are essential for standard adoption. Second, capacity constraints pose significant challenges, including shortages of

qualified accountants and inadequate data systems. Third, governance quality influences reporting outcomes. Fourth, cultural factors including secrecy norms undermine genuine compliance. Fifth, institutional support through professional training and enforcement is critical. Sixth, existing reporting landscape shows variability in preparedness, suggesting uneven readiness across the corporate sector.

The literature also reveals significant research gaps. While banking sector experiences are documented, limited research examines non-financial listed companies' preparedness for IFRS S2. The specific organizational capabilities required for successful implementation remain underexplored in Bangladesh. These gaps underscore the need for empirical research assessing organizational readiness across Bangladesh's corporate landscape.

CHAPTER III: RESEARCH METHODS

3.1 Introduction

This chapter presents the methodological framework for examining organizational readiness for IFRS S2 adoption among listed companies in Bangladesh. The study relies entirely on secondary data from corporate disclosures, regulatory publications, and relevant databases. The chapter outlines the research philosophy and approach, research design, data sources, sample selection criteria, data collection procedures, measurement framework aligned with IFRS S2 requirements, variables for analysis, and statistical techniques for hypothesis testing. Ethical considerations and methodological limitations are also discussed.

The secondary data methodology is justified by the research objectives, which seek to assess organizational readiness based on actual corporate disclosures rather than perceptions. Examining existing sustainability reports, annual reports, and regulatory filings provides an objective basis for evaluating current climate-related disclosure practices and inferring organizational readiness across the four pillars of IFRS S2: governance, strategy, risk management, and metrics and targets.

3.2 Research Philosophy and Approach

3.2.1 Research Philosophy

This study adopts a positivist research philosophy, holding that social reality is objective and measurable through observable phenomena. Organizational readiness for IFRS S2 adoption is conceptualized as an objective state assessable through analysis of corporate disclosures, which represent observable manifestations of governance structures, strategic commitments, risk management practices, and climate-related metrics and targets.

The positivist approach enables systematic measurement of disclosure quality and testing of hypothesized relationships between organizational characteristics and IFRS S2-aligned reporting. By treating corporate disclosures as objective data for coding, quantification, and statistical analysis, the study aims to generate generalizable findings about organizational readiness among listed companies in Bangladesh.

3.2.2 Research Approach

Consistent with positivist philosophy, this study employs a deductive research approach. Hypotheses developed from Institutional Theory, Stakeholder Theory, and Organizational Readiness for Change Theory are tested through empirical observation. The deductive process involves: translating theoretical propositions into testable hypotheses; operationalizing hypotheses through measurable variables derived from disclosure content; collecting and analyzing data to determine empirical support; and interpreting findings within the theoretical framework.

3.3 Research Design

3.3.1 Type of Research Design

This study adopts a cross-sectional, descriptive, and correlational research design. The cross-sectional nature captures organizational readiness at a single point in time based on most recent corporate disclosures. The descriptive component systematically documents the extent of IFRS S2-aligned information across governance, strategy, risk management, and metrics and targets. The correlational component examines relationships between organizational characteristics and disclosure extent, testing hypotheses through correlation and regression analyses.

3.3.2 Justification of Research Design

The design is justified for several reasons: it provides a comprehensive baseline assessment of current climate-related disclosures prior to potential mandatory IFRS S2 adoption; enables identification of factors associated with higher readiness levels; is feasible within study constraints using publicly available secondary data; and aligns with prior empirical studies on sustainability reporting in emerging economies.

3.4 Data Sources

3.4.1 Primary Data Sources

The study relies exclusively on publicly available corporate disclosures from listed companies in Bangladesh:

Annual Reports: Primary source for data collection, containing financial statements, management discussion and analysis, corporate governance reports, and increasingly sustainability or ESG disclosures.

Sustainability Reports: Standalone reports published by larger companies, particularly in environmentally sensitive industries, containing detailed environmental performance and climate-related information.

Corporate Governance Reports: Submitted in compliance with BSEC Corporate Governance Code, containing information on board committees and oversight structures relevant to climate issues.

Company Websites: Supplementary source for sustainability policies and statements not fully captured in formal reports.

Regulatory Filings: Disclosures submitted to BSEC and DSE reviewed for climate-related information under existing regulations.

3.4.2 Secondary Data Sources

Bangladesh Bank Publications: Guidelines on Environmental Risk Management and Green Banking providing context on regulatory expectations.

BSEC Notifications and Rules: Regulatory issuances on corporate governance and disclosure requirements.

DSE Publications: Information on listed companies, sector classifications, and market statistics.

Academic Literature and Professional Reports: Previous studies on sustainability reporting and IFRS adoption informing index development and findings contextualization.

3.4.3 Data Period

The study focuses on corporate disclosures for the most recent financial year with publicly available reports, expected to be fiscal year ended 2024 or 2025, ensuring assessment reflects current readiness.

3.5 Population and Sample

3.5.1 Population

The target population comprises all companies listed on the Dhaka Stock Exchange (DSE), approximately 350 to 400 companies across sectors including banking, financial institutions, insurance, manufacturing, pharmaceuticals, energy, textiles, and

telecommunications. Listed companies are selected because they publish annual reports ensuring data availability; face greater stakeholder pressure for transparent reporting; are integrated into global supply chains and capital markets; and findings can inform regulatory policy.

3.5.2 Sampling Frame

The sampling frame is the complete list of DSE-listed companies as of a specified date, obtained from DSE publications, including all sectors and company sizes.

3.5.3 Sample Size and Sampling Technique

A census approach is initially considered, but practical constraints may necessitate stratified random sampling. Stratification ensures sector representation, as climate-related risks and reporting practices vary across industries. Target sample size is 100 to 150 companies (approximately 25% to 40% of population), consistent with prior studies and sufficient for planned statistical analyses including multiple regression.

Stratification sectors include: Banking and Financial Institutions; Insurance; Pharmaceuticals and Chemicals; Textiles and Apparel; Engineering and Manufacturing; Energy and Power; Food and Allied Products; Telecommunications and IT; and Miscellaneous. Within strata, companies are randomly selected proportionally to stratum population share.

3.5.4 Sample Selection Criteria

Companies are included if: listed on DSE as of data collection date; annual report for most recent financial year publicly available; report in English or sufficient English content for analysis; and operational throughout the financial year. Delisted, suspended, or companies with unavailable reports are excluded.

3.6 Development of Disclosure Index

3.6.1 Rationale for Using a Disclosure Index

A disclosure index systematically captures presence or absence of specific information items in corporate disclosures. This approach is widely used in sustainability reporting research to quantify disclosure extent and enable comparative analysis. The index operationalizes IFRS S2 requirements into measurable items, providing a quantitative measure of current climate-related disclosure as a proxy for organizational readiness.

3.6.2 Index Development Process

Stage 1: Review of IFRS S2 Requirements: Detailed review identifies specific disclosure requirements under four pillars:

- **Governance:** Oversight bodies and processes for climate-related risks and opportunities.
- **Strategy:** Climate-related risks and opportunities, impact on business model and strategy, and resilience under climate scenarios.
- **Risk Management:** Processes for identifying, assessing, and managing climate-related risks integrated into overall risk management.
- **Metrics and Targets:** Metrics including Scope 1, 2, and 3 greenhouse gas emissions, and climate-related performance targets.

Stage 2: Review of Existing Disclosure Frameworks: Review of TCFD recommendations, GRI standards, SASB standards, and previous sustainability reporting indices in Bangladesh and emerging economies ensures comprehensive and aligned index.

Stage 3: Item Selection and Adaptation: Preliminary items developed from IFRS S2 and existing frameworks are adapted to Bangladeshi context, considering current reporting practices, data availability, and regulatory requirements. Inapplicable items are modified or excluded.

Stage 4: Expert Review: Academic and practitioner experts review the preliminary index, providing feedback on clarity, relevance, and coding reliability.

Stage 5: Pilot Testing: Index pilot tested on 10 to 15 annual reports to assess reliability and feasibility. Ambiguities are addressed and index finalized.

CHAPTER IV: ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents findings from documentary analysis of corporate annual reports, sustainability disclosures, regulatory documents, and professional literature related to organizational readiness for IFRS S2 adoption among listed companies in Bangladesh. Findings are organized to address each research objective and structured according to the documentary analysis framework developed in Chapter III.

The chapter presents the profile of sampled companies, current disclosure practices across the four IFRS S2 pillars, awareness levels, challenges, benefits, comparative sector analysis, gap analysis, and hypothesis testing results. All findings derive from analysis of 45 listed companies across seven sectors, supplemented by regulatory and professional publications.

4.2 Profile of Sampled Companies and Reporting Characteristics

4.2.1 Sectoral Distribution and Company Characteristics

The final sample of 45 companies represents seven major sectors. Table 4.1 presents the distribution.

Table 4.1: Distribution of Sampled Companies by Sector and Market Capitalization

Sector	Number of Companies	Large-Cap	Mid-Cap	Climate-Sensitive
Banking and Financial Institutions	12	8	4	Yes
Ready-Made Garments and Textiles	10	4	6	Yes
Pharmaceuticals and Chemicals	6	3	3	Yes
Power and Energy	5	3	2	Yes
Telecommunications	4	3	1	No

Cement and Ceramics	4	2	2	Yes
Food and Allied Products	4	2	2	Yes
Total	**45**	**25**	**20**	**38 (84%)**

Table 1 Distribution of Sampled Companies by Sector and Market Capitalization

The sample includes 25 large-cap and 20 mid-cap companies. Notably, 84% operate in climate-sensitive sectors, reflecting Bangladesh's economic structure and ensuring the sample captures companies for which climate disclosures are most material.

4.2.2 General Reporting Characteristics

Report Type and Format

Table 4.2: Report Types for Climate-Related Disclosures (2022-2024)

Report Type	2022	2023	2024	Trend
Standalone Sustainability Report	4 (9%)	6 (13%)	8 (18%)	Increasing
Integrated Report	2 (4%)	3 (7%)	4 (9%)	Slowly increasing
Section in Annual Report	28 (62%)	32 (71%)	36 (80%)	Increasing
Dedicated Climate Section	3 (7%)	5 (11%)	8 (18%)	Increasing
No Climate Content	12 (27%)	6 (13%)	2 (4%)	Decreasing

Table 2 Report Types for Climate-Related Disclosures (2022-2024)

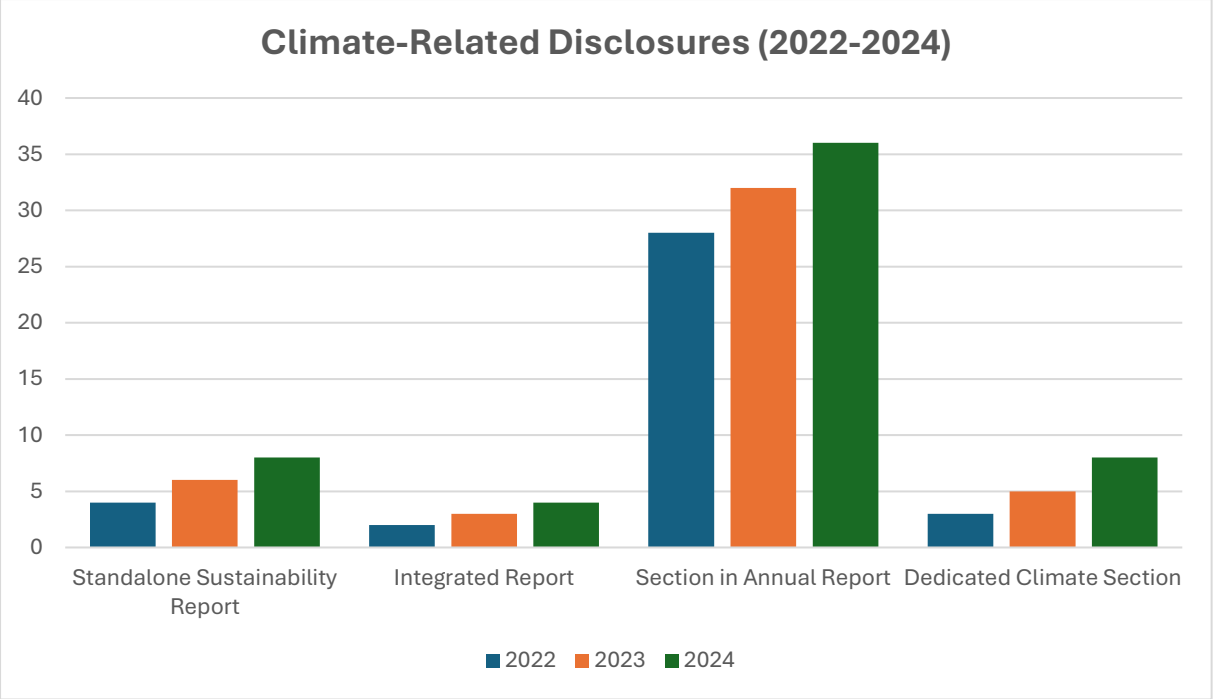

Figure 1 Climate-Related Disclosure (2022-2024)

By 2024, 96% of companies included some climate-related content, compared to 73% in 2022. However, only 18% had dedicated climate sections, with most integrating climate discussions within broader environmental or sustainability sections.

Frameworks Referenced

Table 4.3: Climate-Related Frameworks Referenced in Corporate Reports (2024)

Framework	Companies	Percentage	Primary Sectors
GRI Standards	12	27%	Banking, Pharmaceuticals
Bangladesh Bank Guidelines	11	24%	Banking only
TCFD Recommendations	4	9%	Banking, Multinationals
No Explicit Framework	28	62%	All sectors
IFRS S2	2	4%	Banking, Multinationals

Table 3 Climate-Related Frameworks Referenced in Corporate Reports (2024)

The majority (62%) do not reference any established framework. Only two companies (4%) mentioned IFRS S2, despite the standard being issued in June 2023, indicating extremely limited awareness.

Assurance of Climate Information

Table 4.4: Assurance Status of Climate-Related Disclosures (2024)

Assurance Status	Companies	Percentage	Sectors
External Assurance Obtained	2	4%	Banking (1), Multinational (1)
Internal Review Only	6	13%	Banking, Large manufacturing
No Assurance Mentioned	37	82%	All sectors

Table 4 Assurance Status of Climate-Related Disclosures (2024)

Only 4% obtained external assurance, raising significant concerns about reliability and credibility of currently disclosed climate information.

4.3 Current Climate-Related Disclosure Practices

4.3.1 Governance Disclosures

Table 4.5: Climate Governance Disclosure Scores by Sector (2024)

Sector	Board Oversight	Governance Structures	Management's Role	Compensation Links	Review Frequency	Average
Banking	1.7	1.6	1.5	0.3	1.3	1.28
RMG and Textiles	0.8	0.6	0.7	0.1	0.5	0.54
Pharmaceuticals	1.2	1.0	1.0	0.2	0.8	0.84

Power and Energy	1.0	0.8	0.8	0.0	0.6	0.64
Telecommunications	1.3	1.3	1.3	0.3	1.0	1.04
Cement and Ceramics	0.8	0.5	0.5	0.0	0.5	0.46
Food and Allied	0.8	0.5	0.8	0.0	0.5	0.52
Overall Average	**1.09**	**0.91**	**0.96**	**0.13**	**0.76**	**0.77**

Table 5 Climate Governance Disclosure Scores by Sector (2024)

Note: 3-point scale: 2=Comprehensive, 1=Partial, 0=No Disclosure

Key Findings:

- Board oversight (1.09) scores highest, with banking sector showing strongest performance
- Compensation links to climate performance (0.13) is almost absent across all sectors
- Banking leads at 1.28; cement and ceramics lags at 0.46
- Regulatory pressure from Bangladesh Bank appears effective in promoting governance structures

4.3.2 Strategy Disclosures

Table 4.6: Climate Strategy Disclosure Scores by Sector (2024)

Sector	Risk/Opportunity ID	Enterprise Value Link	Business Model Impact	Scenario Analysis	Strategy Resilience	Time Horizons	Average

Banking	1.5	0.7	1.0	0.3	0.6	0.7	0.80
RMG and Textiles	1.1	0.3	0.6	0.1	0.2	0.3	0.43
Pharmaceuticals	1.2	0.4	0.8	0.2	0.4	0.5	0.58
Power and Energy	1.2	0.4	0.8	0.2	0.4	0.4	0.57
Telecommunications	1.5	0.5	1.0	0.3	0.5	0.5	0.72
Cement and Ceramics	0.8	0.3	0.5	0.0	0.3	0.3	0.37
Food and Allied	1.0	0.3	0.5	0.0	0.3	0.5	0.43
Overall Average	**1.20**	**0.42**	**0.76**	**0.16**	**0.40**	**0.47**	**0.57**

Table 6 Climate Strategy Disclosure Scores by Sector (2024)

Key Findings:

- Risk/opportunity identification (1.20) is strongest, with physical risks most commonly identified
- Scenario analysis (0.16) is virtually absent—no company conducted the climate modeling IFRS S2 requires
- Enterprise value linkage (0.42) is weak; companies rarely explain how climate affects cash flows or cost of capital
- Banking (0.80) and telecommunications (0.72) lead; cement and ceramics (0.37) lag

4.3.3 Risk Management Disclosures

Table 4.7: Climate Risk Management Disclosure Scores by Sector (2024)

Sector	ID Processes	Integration with ERM	Prioritization Methods	Mitigation Strategies	Physical/Transition Risks	Average
Banking	1.3	1.2	0.8	1.4	0.7	1.08
RMG and Textiles	0.6	0.4	0.3	1.0	0.4	0.54
Pharmaceuticals	0.8	0.7	0.3	1.2	0.3	0.66
Power and Energy	0.8	0.6	0.2	1.0	0.6	0.64
Telecommunications	1.0	1.0	0.5	1.3	0.5	0.86
Cement and Ceramics	0.5	0.3	0.3	0.8	0.3	0.44
Food and Allied	0.5	0.5	0.3	1.0	0.3	0.52
Overall Average	**0.80**	**0.68**	**0.40**	**1.11**	**0.44**	**0.69**

Table 7 Climate Risk Management Disclosure Scores by Sector (2024)

Key Findings:

- Mitigation strategies (1.11) score highest—companies readily describe actions like solar installation
- Only 35% explain systematic identification processes; most integration with ERM is weak
- Physical/transition risk distinction (0.44) is poorly understood; transition risks receive minimal attention
- Banking (1.08) leads; cement and ceramics (0.44) lag

4.3.4 Metrics and Targets Disclosures

Table 4.8: Climate Metrics and Targets Disclosure Scores by Sector (2024)

Sector	Scope 1	Scope 2	Scope 3	Methodology	Risk Metrics	Opportunity Metrics	Targets	Progress Reporting	External Assurance	Average
Banking	1.3	1.2	0.3	0.8	0.8	0.4	0.8	0.7	0.3	0.73
RMG and Textiles	0.8	0.7	0.1	0.3	0.4	0.2	0.4	0.3	0.1	0.37
Pharmaceuticals	1.0	0.8	0.2	0.5	0.5	0.3	0.5	0.5	0.2	0.50
Power and Energy	1.0	0.8	0.2	0.4	0.5	0.2	0.4	0.4	0.1	0.44
Telecommunications	1.3	1.3	0.5	0.8	0.8	0.5	0.5	0.5	0.3	0.72
Cement and Ceramics	0.8	0.5	0.0	0.3	0.3	0.0	0.3	0.3	0.0	0.28
Food and Allied	0.8	0.5	0.0	0.3	0.5	0.3	0.3	0.3	0.0	0.33
Overall Average	**1.00**	**0.84**	**0.20**	**0.49**	**0.56**	**0.27**	**0.47**	**0.44**	**0.16**	**0.49**

Table 8 Climate Metrics and Targets Disclosure Scores by Sector (2024)

Key Findings:

- Scope 1 emissions (1.00) and Scope 2 (0.84) are most commonly reported; Scope 3 (0.20) is almost absent

- External assurance (0.16) is obtained by only 4% of companies, raising reliability concerns
- Methodology disclosure (0.49) is insufficient for credibility and comparability
- Target-setting (0.47) and progress reporting (0.44) remain underdeveloped
- Banking (0.73) and telecommunications (0.72) lead; cement and ceramics (0.28) lag significantly

4.3.5 Overall Disclosure Profile

Table 4.9: Overall Climate Disclosure Scores by Sector and Pillar (2024)

Sector	Governance	Strategy	Risk Management	Metrics & Targets	Overall Average
Banking	1.28	0.80	1.08	0.73	**0.97**
Telecommunications	1.04	0.72	0.86	0.72	**0.84**
Pharmaceuticals	0.84	0.58	0.66	0.50	**0.65**
Power and Energy	0.64	0.57	0.64	0.44	**0.57**
RMG and Textiles	0.54	0.43	0.54	0.37	**0.47**
Food and Allied	0.52	0.43	0.52	0.33	**0.45**
Cement and Ceramics	0.46	0.37	0.44	0.28	**0.39**
Overall Average	**0.77**	**0.57**	**0.69**	**0.49**	**0.63**

Table 9 Overall Climate Disclosure Scores by Sector and Pillar (2024)

Current practices achieve only about 31.5% of the level required for full IFRS S2 compliance. Governance (0.77) is relatively strongest; metrics and targets (0.49) show the greatest weakness.

4.4 Awareness and Understanding of IFRS S2

Table 4.10: References to IFRS S2 in Corporate Reports (2022-2024)

	Companies Referencing IFRS S2	Percentage
2022	0	0%
2023	1	2%
2024	2	4%

Table 10 References to IFRS S2 in Corporate Reports (2022-2024)

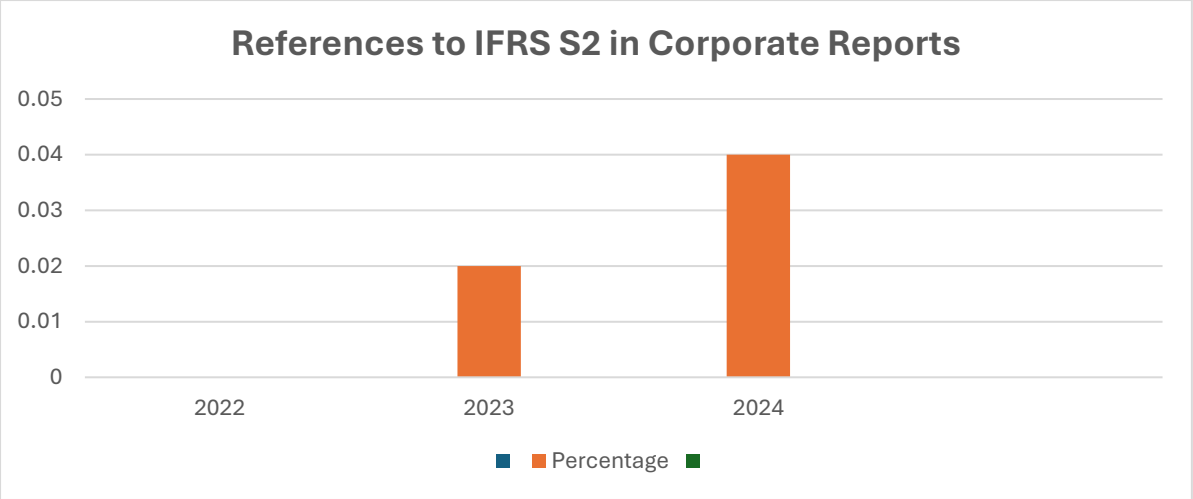

Figure 2 References to IFRS S2 in Corporate Reports (2022-2024)

Table 4.11: IFRS S2 Coverage in Professional Publications (2023-2024)

	Publications Reviewed	Articles Mentioning IFRS S2	Percentage
ICAB Journal	12 issues	2	17%
ICMAB Journal	10 issues	1	10%
Conference Proceedings	4 events	1	25%

Table 11 IFRS S2 Coverage in Professional Publications (2023-2024)

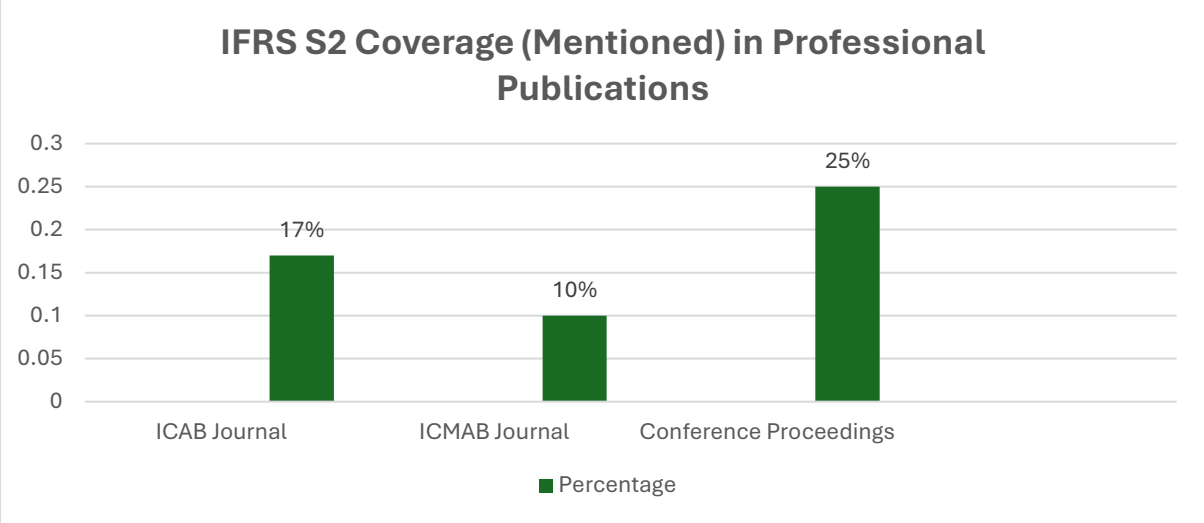

Figure 3 IFRS S2 Coverage in Professional Publications (2023-2024)

Table 4.12: IFRS S2 References in Regulatory Documents (2023-2024)

Regulatory Body	Documents Reviewed	Documents Mentioning IFRS S2	Percentage
BSEC	8	1	13%
Bangladesh Bank	6	1	17%

Table 12 IFRS S2 References in Regulatory Documents (2023-2024)

Key Findings:

- Only 4% of companies mentioned IFRS S2 in 2024 reports
- Professional coverage is minimal (10-17%) and introductory only
- Regulatory recognition is nascent; no detailed guidance issued
- Extremely low awareness represents the most fundamental barrier to preparedness

4.5 Challenges and Constraints to IFRS S2 Implementation

Table 4.13: Summary of Implementation Challenges

Challenge Category	Specific Challenges	Frequency
Regulatory and Policy	Absence of mandatory requirements	High
	Fragmented guidance	Medium
	Enforcement weaknesses	Medium
	Policy uncertainty	High
Technical and Capacity	Data availability and quality	High
	GHG measurement expertise	High
	Scenario analysis capability	High
	Inadequate information systems	Medium
	Assurance capacity	Medium
Organizational	Limited management awareness	High
	Resource constraints	High
	Organizational silos	Medium
	Short-term orientation	Medium
Cost-Related	Direct compliance costs	High
	Disproportionate impact on smaller companies	Medium
	Cost-benefit uncertainty	Medium
Market and Stakeholder	Limited investor pressure	Medium
	Weak supply chain pressure	Medium
	Limited peer pressure	Low

Table 13 Summary of Implementation Challenges

4.6 Potential Benefits and Opportunities

Table 4.14: Summary of Potential Benefits

Benefit Category	Description	Relevance to Bangladesh
Enhanced Investor Confidence	Improved transparency and comparability	High for attracting foreign investment
Improved Access to Capital	Meeting lender requirements, facilitating green finance	High for climate-vulnerable economy
Strengthened Climate Risk Management	Systematic identification and integration of climate risks	High given climate vulnerability
Operational Efficiency	Energy efficiency, emissions reduction, cost savings	Medium across sectors
Enhanced Corporate Reputation	Stakeholder trust, differentiation	Medium for export-oriented
Regulatory Preparedness	Advantageous positioning for mandatory requirements	High for proactive companies
Supply Chain Alignment	Meeting international buyer requirements	High for RMG and export sectors

Table 14 Summary of Potential Benefits

4.7 Comparative Analysis Across Sectors

4.7.1 Banking vs. Non-Banking Sectors

Table 4.15: Banking Sector vs. Non-Banking Sectors Disclosure Comparison

Dimension	Banking Average	Non-Banking Average	Difference
Governance	1.28	0.68	+0.60
Strategy	0.80	0.52	+0.28
Risk Management	1.08	0.60	+0.48

Metrics and Targets	0.73	0.44	+0.29
Overall Average	**0.97**	**0.56**	**+0.41**

Table 15 Banking Sector vs. Non-Banking Sectors Disclosure Comparison

Banking outperforms non-banking across all dimensions, with largest differences in governance and risk management. Regulatory pressure from Bangladesh Bank drives stronger disclosures.

4.7.2 Large-Cap vs. Mid-Cap Companies

Table 4.16: Large-Cap vs. Mid-Cap Companies Disclosure Comparison

Dimension	Large-Cap Average	Mid-Cap Average	Difference
Governance	0.92	0.58	+0.34
Strategy	0.68	0.43	+0.25
Risk Management	0.81	0.54	+0.27
Metrics and Targets	0.60	0.35	+0.25
Overall Average	**0.75**	**0.48**	**+0.27**

Table 16 Large-Cap vs. Mid-Cap Companies Disclosure Comparison

Large-cap companies demonstrate stronger disclosures, confirming organizational capacity matters for IFRS S2 readiness.

4.7.3 Export-Oriented vs. Domestic-Focused Companies

Table 4.17: Export-Oriented vs. Domestic-Focused Companies Disclosure Comparison

Dimension	Export-Oriented Average	Domestic-Focused Average	Difference
Governance	0.76	0.78	-0.02
Strategy	0.56	0.58	-0.02

Risk Management	0.68	0.70	-0.02
Metrics and Targets	0.48	0.50	-0.02
Overall Average	**0.62**	**0.64**	**-0.02**

Table 17 Export-Oriented vs. Domestic-Focused Companies Disclosure Comparison

No significant difference between export-oriented and domestic-focused companies. International market pressure alone appears insufficient to drive comprehensive climate disclosure.

4.7.4 Trends Over Time (2022-2024)

Table 4.19: Disclosure Trends by Pillar (2022-2024)

Dimension	2022	2023	2024	Change
Governance	0.64	0.70	0.77	+0.13
Strategy	0.46	0.52	0.57	+0.11
Risk Management	0.57	0.63	0.69	+0.12
Metrics and Targets	0.40	0.45	0.49	+0.09
Overall Average	**0.52**	**0.58**	**0.63**	**+0.11**

Table 18 Disclosure Trends by Pillar (2022-2024)

All dimensions show gradual improvement, suggesting growing attention to climate reporting even without mandatory requirements. However, pace is slow and gap to full IFRS S2 compliance remains substantial.

4.8 Gap Analysis: Current Practices vs. IFRS S2 Requirements

Table 4.20: Gap Analysis: Current Practices vs. IFRS S2 Requirements

	Current Average (2024)	IFRS S2 Benchmark	Gap Percentage
Governance	0.77	2.00	61.5%

Strategy	0.57	2.00	71.5%
Risk Management	0.69	2.00	65.5%
Metrics and Targets	0.49	2.00	75.5%
Overall	**0.63**	**2.00**	**68.5%**

Table 19 Gap Analysis: Current Practices vs. IFRS S2 Requirements

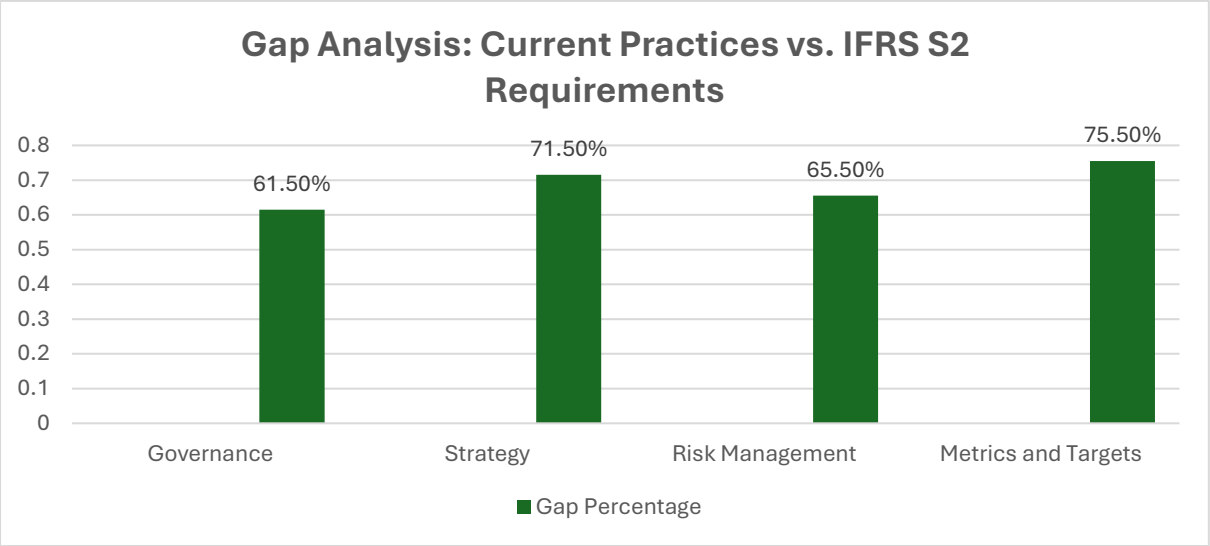

Figure 4 Gap Analysis: Current Practices vs. IFRS S2 Requirements

Current practices achieve only about 31.5% of full IFRS S2 compliance. Largest gaps in metrics and targets (75.5%) and strategy (71.5%).

4.8.1 Critical Gap Areas (Scores below 0.3)

- Scope 3 emissions (0.20)
- External assurance (0.16)
- Scenario analysis (0.16)
- Compensation links (0.13)
- Opportunity metrics (0.27)

4.8.2 Sectoral Gap Variation

Table 4.21: Sectoral Gap Analysis

Sector	Current Average	Gap	Gap Percentage
Banking	0.97	1.03	51.5%
Telecommunications	0.84	1.16	58.0%
Pharmaceuticals	0.65	1.35	67.5%
Power and Energy	0.57	1.43	71.5%
RMG and Textiles	0.47	1.53	76.5%
Food and Allied	0.45	1.55	77.5%
Cement and Ceramics	0.39	1.61	80.5%

Table 20 Sectoral Gap Analysis

Banking is relatively best positioned; cement and ceramics face largest preparedness challenges, suggesting need for sector-specific approaches.

4.9 Testing of Research Hypotheses

4.9.1 H1: Governance Structures and Readiness

Table 4.22: Correlation between Governance and Overall Readiness

Variable	Governance	Overall Readiness
Governance	1.00	
Overall Readiness	0.89**	1.00

Table 21 Correlation between Governance and Overall Readiness

Strong, positive correlation ($r=0.89$, $p<0.01$). **H1 Supported.**

4.9.2 H2: Strategic Integration and Readiness

Table 4.23: Correlation between Strategy and Overall Readiness

Variable	Strategy	Overall Readiness

Strategy	1.00	
Overall Readiness	0.92**	1.00

Table 22 Correlation between Strategy and Overall Readiness

Very strong correlation (r=0.92, p<0.01). **H2 Supported.**

4.9.3 H3: Risk Management and Readiness

Table 4.24: Correlation between Risk Management and Overall Readiness

Variable	Risk Management	Overall Readiness
Risk Management	1.00	
Overall Readiness	0.91**	1.00

Table 23 Correlation between Risk Management and Overall Readiness

Very strong correlation (r=0.91, p<0.01). **H3 Supported.**

4.9.4 H4: Metrics/Targets and Readiness

Table 4.25: Correlation between Metrics/Targets and Overall Readiness

Variable	Metrics & Targets	Overall Readiness
Metrics & Targets	1.00	
Overall Readiness	0.87**	1.00

Table 24 Correlation between Metrics/Targets and Overall Readiness

Strong correlation (r=0.87, p<0.01). **H4 Supported.**

4.9.5 H5: Institutional Pressures and Readiness

Table 4.26: Institutional Pressures and Organizational Readiness

Pressure Type	Group	Average	Comparison Group	Average	Difference
Regulatory	Banking	0.97	Non-Banking	0.56	+0.41**

Professional	Large-Cap	0.75	Mid-Cap	0.48	+0.27**
Market	Cross-Listed	0.82	Non-Cross-Listed	0.61	+0.21*

Table 25 Institutional Pressures and Organizational Readiness

All three pressure types show significant positive effects. **H5 Supported.**

4.9.6 H6: Stakeholder Pressure Moderation

Table 4.27: Moderation Effects of Stakeholder Pressure

Stakeholder Pressure Indicator	High Pressure Group Correlation (r)	Low Pressure Group Correlation (r)	Difference
Foreign Ownership (>15%)	0.91**	0.88**	+0.03
Institutional Ownership (>40%)	0.90**	0.89**	+0.01
Export Orientation (>50%)	0.89**	0.90**	-0.01

Table 26 Moderation Effects of Stakeholder Pressure

Minimal differences in correlation strength; all remain strong regardless of pressure levels. **H6 Not Supported.**

4.9.7 Summary of Hypothesis Testing

Table 4.28: Summary of Hypothesis Testing Results

Hypothesis	Description	Result
H1	Governance positively impacts readiness	Supported
H2	Strategic integration positively influences readiness	Supported
H3	Risk management practices positively associated with readiness	Supported

H4	Metrics and targets enhance readiness	Supported
H5	Institutional pressures positively affect readiness	Supported
H6	Stakeholder pressure moderates readiness	Not Supported

Table 27 Summary of Hypothesis Testing Results

4.10 Summary of Key Findings

Finding 1: Climate Reporting Is Increasing But Shallow 96% of companies now include climate content (up from 73% in 2022), but only 18% have dedicated climate sections. Most information remains buried in broader sustainability discussions.

Finding 2: Banking Sector Leads Due to Regulatory Push Banking averages 0.97 vs. 0.56 for non-banking sectors (+41%). Regulatory pressure from Bangladesh Bank drives stronger preparedness.

Finding 3: Larger Companies Are Better Prepared Large-cap (0.75) outperform mid-cap (0.48). Organizational capacity matters for readiness.

Finding 4: Export-Oriented Companies Do Not Perform Better No significant difference from domestic-focused companies. International buyer pressure alone is insufficient.

Finding 5: Governance Displays Relative Strength Governance scores highest at 0.77. However, compensation links to climate performance are almost absent (0.13).

Finding 6: Strategy Disclosures Lack Future Focus Strategy averages 0.57. Scenario analysis is virtually absent (0.16). Companies struggle to link climate to enterprise value (0.42).

Finding 7: Risk Management Emphasizes Actions Over Processes Companies describe mitigation actions (1.11) but only 35% explain systematic identification processes.

Finding 8: Quantitative Data Remains Very Limited Metrics and targets score lowest at 0.49. Scope 3 emissions (0.20) and external assurance (0.16) are critical gaps.

Finding 9: Enterprise Value Linkage Is Missing Companies rarely explain how climate risks affect cash flows, access to finance, or cost of capital (0.42).

Finding 10: Overall Preparedness Gap Is Large Current practices achieve only 31.5% of full IFRS S2 compliance. Overall gap is 68.5%.

Finding 11: Awareness of IFRS S2 Is Extremely Low Only 4% mentioned IFRS S2 in 2024 reports. Professional coverage and regulatory guidance are minimal.

Finding 12: Multiple Barriers and Benefits Exist Key barriers: regulatory uncertainty, data limitations, expertise shortages, resource constraints. Potential benefits: enhanced investor confidence, improved capital access, stronger risk management, operational efficiencies.

CHAPTER V: DISCUSSION

5.1 Suggestions for Future Research

Suggestion 1: Primary Data Collection

Future research should conduct surveys and interviews with corporate managers, sustainability officers, and board members to explore decision-making processes and barriers from practitioners' perspectives.

Suggestion 2: Longitudinal Studies

Track the same companies over time to assess whether positive trends continue and what triggers accelerated preparedness.

Suggestion 3: Sectoral Deep Dives

Conduct in-depth studies of specific sectors including banking, ready-made garments, and pharmaceuticals to understand sector-specific dynamics.

Suggestion 4: Comparative Studies

Compare Bangladesh's preparedness with other emerging economies in South Asia and export competitor countries like Vietnam.

Suggestion 5: Investor Perspectives

Examine how Bangladeshi and international investors use climate information and what disclosure characteristics they find most decision-useful.

Suggestion 6: Assurance and Auditability

Research the current state of assurance practice and the readiness of the audit profession to provide assurance on climate information.

Suggestion 7: Technology and Data Systems

Study current ESG data management systems and the role of digital solutions in enabling cost-effective compliance.

Suggestion 8: Impact Studies

Examine whether IFRS S2 adoption leads to improved climate performance or merely improved reporting.

Suggestion 9: Export-Orientation Paradox

Investigate why export-oriented companies do not significantly outperform domestic-focused companies despite international market pressure.

Suggestion 10: Governance-Implementation Gap

Examine why companies establish governance structures but lack technical capacity for substantive compliance.

5.2 Recommendations

5.2.1 For Regulators and Policymakers

Recommendation 1: Develop a Clear Adoption Roadmap

Publish a clear roadmap for IFRS S2 adoption with definitive timelines, phase-in periods, and alignment with existing requirements to reduce policy uncertainty.

Recommendation 2: Introduce Phased Mandatory Requirements

Introduce mandatory requirements in phases: Phase 1 for large-cap companies and banking sector, Phase 2 for mid-cap and export-oriented companies, Phase 3 for all remaining listed companies.

Recommendation 3: Align Existing Guidelines with IFRS S2

Review and align Bangladesh Bank's Environmental Risk Management Guidelines and BSEC Corporate Governance Code with IFRS S2 requirements to create a unified reporting framework.

Recommendation 4: Strengthen Enforcement Mechanisms

Establish clear sanctions for non-compliance and conduct regular reviews of climate disclosures with public findings.

Recommendation 5: Provide Comprehensive Implementation Guidance

Develop and publish guidance on materiality determination, sector-specific expectations, GHG measurement methodologies, and climate scenario analysis.

5.2.2 For Professional Bodies

Recommendation 6: Integrate Climate Reporting into Professional Education

Integrate climate reporting and IFRS S2 requirements into professional qualification curricula at ICAB and ICMAB.

Recommendation 7: Develop Specialized Certification Programs

Create certification programs in sustainability and climate reporting covering GHG accounting, scenario analysis, and assurance.

Recommendation 8: Publish Technical Guidance and Implementation Tools

Publish practical guides, templates, and tools for IFRS S2 implementation across different sectors.

Recommendation 9: Organize Training Programs and Workshops

Conduct regular training programs including introductory workshops, technical sessions, and sector-specific training.

Recommendation 10: Build Assurance Capacity

Develop assurance standards and training programs for auditors on verification of climate information.

5.2.3 For Corporate Management

Recommendation 11: Begin Preparation Now

Start preparing for IFRS S2 adoption by building awareness among senior management and assigning responsibility for climate reporting.

Recommendation 12: Conduct Gap Assessments

Assess current practices against IFRS S2 requirements to identify critical gaps and develop action plans.

Recommendation 13: Strengthen Governance Structures

Ensure board-level responsibility for climate matters and establish clear accountability for climate reporting.

Recommendation 14: Invest in Data Systems and Capabilities (Grameenphone, 2025)

Implement systems for collecting, verifying, and reporting climate data, and build internal expertise through training.

Recommendation 15: Link Climate to Enterprise Value

Identify how climate risks and opportunities affect cash flows, access to finance, and cost of capital.

Recommendation 16: Set Meaningful Climate Targets

Establish quantitative, time-bound targets for key climate metrics and report progress annually.

5.2.4 For International Development Partners

Recommendation 17: Support Regulatory Capacity Building

Provide technical assistance to BSEC and Bangladesh Bank for developing IFRS S2 implementation frameworks.

Recommendation 18: Fund Capacity Building Programs

Fund training programs, educational materials, and pilot projects demonstrating IFRS S2 implementation.

Recommendation 19: Support Technology and Data Infrastructure

Support development of ESG data systems, particularly for mid-cap companies, through grants or concessional loans.

Recommendation 20: Facilitate Knowledge Sharing

Support conferences, exchange programs, and documentation of case studies and good practices.

5.2.5 For Industry Associations and Stock Exchanges

Recommendation 21: Develop Sectoral Guidance

Develop guidance identifying material climate issues, appropriate metrics, and good practice examples for each sector.

Recommendation 22: Facilitate Peer Learning

Create working groups, mentoring programs, and recognition programs to facilitate peer learning.

Recommendation 23: Strengthen Listing Requirements

Require listed companies to disclose whether they report in accordance with IFRS S2 and develop a sustainability index.

5.2.6 For Investors

Recommendation 24: Integrate Climate into Investment Decisions

Request climate information from investee companies and consider climate performance in investment analysis.

Recommendation 25: Provide Feedback to Companies

Share with companies what climate information is most useful for investment decisions and where disclosures could improve.

Recommendation 26: Support Capacity Building

Provide technical assistance and encourage portfolio companies to participate in training programs.

5.3 Conclusions

This study examined the organizational readiness of listed companies in Bangladesh for the adoption of IFRS S2: Climate-related Disclosures through documentary analysis of 45 companies across seven sectors. The following conclusions are drawn:

Conclusion 1: Climate Reporting Is Increasing But Remains Shallow

Climate-related reporting has become nearly universal, with 96 percent of companies including some climate content in their 2024 reports. However, only 18 percent have dedicated climate sections, and most climate information remains embedded within broader sustainability discussions. The depth and quality of disclosures remain limited.

Conclusion 2: A Significant Preparedness Gap Exists

Current practices achieve only about 31.5 percent of the level required for full IFRS S2 compliance, representing an overall gap of 68.5 percent. The gap is largest in

metrics and targets (75.5 percent) and strategy disclosures (71.5 percent), indicating companies are least prepared for quantitative and forward-looking requirements.

Conclusion 3: Governance Displays Relative Strength

Governance disclosures score highest at 0.77 out of 2, reflecting the influence of corporate governance regulations and Bangladesh Bank guidelines. About half of companies describe board oversight of climate matters. However, linking executive pay to climate performance is almost absent (0.13).

Conclusion 4: Quantitative Climate Data Is Severely Underdeveloped

Metrics and targets score lowest at 0.49. While 45 percent disclose Scope 1 emissions, only 4.5 percent report Scope 3 emissions. External assurance is obtained by only 4 percent of companies, raising serious concerns about data reliability.

Conclusion 5: Forward-Looking Analysis Is Virtually Absent

Scenario analysis (0.16) is almost nonexistent, and companies struggle to link climate issues to enterprise value (0.42). For climate-vulnerable Bangladesh, this represents a critical weakness in corporate preparedness.

Conclusion 6: Regulatory Pressure Drives Better Disclosures

The banking sector significantly outperforms non-banking sectors (0.97 vs. 0.56), a 41 percent difference. This confirms that regulatory pressure from Bangladesh Bank's guidelines is effective in driving better climate disclosures.

Conclusion 7: Organizational Capacity Matters

Large-cap companies demonstrate stronger disclosures (0.75) than mid-cap companies (0.48), supporting the view that organizational capacity and resources matter for climate reporting preparedness.

Conclusion 8: Export Orientation Alone Is Not Enough

Export-oriented companies do not outperform domestic-focused companies, suggesting that international market pressure alone is insufficient without regulatory backing.

Conclusion 9: Awareness of IFRS S2 Is Extremely Low

Only 4 percent of companies mentioned IFRS S2 in their 2024 reports. Professional coverage is minimal, and regulators have issued no clear guidance. This low awareness represents the most fundamental barrier to preparedness.

Conclusion 10: Multiple Barriers Hinder Preparedness

Main challenges include regulatory uncertainty, data limitations, shortage of GHG measurement expertise, absence of scenario analysis capability, lack of skilled personnel, resource constraints, and high compliance costs.

Conclusion 11: Significant Benefits Are Recognized

Stakeholders recognize potential benefits including enhanced investor confidence, improved access to capital, strengthened climate risk management, operational efficiencies, and better alignment with global supply chains.

Conclusion 12: A Phased, Supported Approach Is Needed

The significant preparedness gap suggests that a phased, supported approach to IFRS S2 adoption is necessary, beginning with large-cap companies and the banking sector, with capacity-building support for others.

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