

## Impact of corporate governance characteristics on environmental reporting in the banking sector in Sri Lanka

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Corporate governance is the mechanism by which organizations are controlled, while environmental reporting discloses the environmental impact of organizations. Previous research on this topic mainly focused on the manufacturing sector, and this research is on the service sector. The first objective of this study was to investigate the level of environmental reporting in the Sri Lankan banks related to Global Reporting Initiatives (GRI). The second objective was to examine the relationship between corporate governance and the level of environmental reporting in the banking sector in Sri Lanka. Corporate governance was measured using independent variables, namely board size, board independence, and CSR committees. Control variables were bank size and bank profitability. Environmental reporting, which was the dependent variable, was assessed by a checklist based on GRI guidelines. An environmental reporting index was developed to measure the level of environmental reporting. This study was based on content analysis of 128 annual reports from 16 banks, including licensed commercial and licensed specialized reports for the period of 2015-2022. The data were analyzed using the STATA statistical package, and regression tests were performed to explore the relationships and effects. The study outcomes revealed that the board size had a significant impact on environmental reporting, while board independence and CSR committees were statistically insignificant. It concluded that the management of banks needs to increase the board size to gather directors with diverse knowledge and experience. This will tend to improve the environmental reporting of the banks. This study further suggested that bank size positively influences environmental reporting, indicating larger banks disclose more environmental information in their annual reports. The results indicated a growing tendency for environmental reporting in the banking sector of Sri Lanka at a higher average. It concluded that corporate governance has a considerable inspiration towards the environmental reporting of the banking sector.

**Keywords:** Banking sector, Board independence, Corporate governance, CSR committee, Environmental reporting

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