

THE IMPACT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMUNICATION DISCLOSURE ON DIVIDEND DISTRIBUTION

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Abstract

Our study aims to explore the impact of environmental, social, and governance (ESG) communication on dividend distribution in the context of the Moroccan financial market. Sustainable development was defined by the United Nations Organization (UNO) in 1987 as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Autorité Marocaine du Marché des Capitaux [AMMC], 2017). The Moroccan financial market began to actively integrate sustainability issues starting in 2014 through the Undertakings for Collective Investment in Transferable Securities (UCITS) that explicitly involve socially responsible investment in their strategies. This research focuses particularly on the impact of ESG criteria, representing environmental, social, and governance factors, on dividend distribution.

ESG is the acronym used by the international financial community to designate ESG criteria, which generally constitute the three pillars of non-financial analysis. Voluntary disclosure of ESG criteria is common in

some countries such as India, China, Indonesia, Pakistan, Malaysia, South Korea, Turkey, and Russia. However, a broader trend shows that governments and global stock exchanges are adopting regulations requiring companies to disclose their ESG performance. This requirement is illustrated by directives such as the European Union’s Directive 2014/95/EU.

Companies may respond to mandatory ESG reporting by increasing or decreasing their dividend payments. Our study aims to deepen research in the Moroccan context to address this issue and better understand the impact of ESG disclosure on dividend payments. Our theoretical approach is based on agency theory, which emphasizes the relationships and conflicts between the company and its shareholders. Specifically, we seek to highlight how the company’s dividend decisions are influenced by its commitments to sustainability, ethics, and social responsibility.

The sample includes all financial companies listed on the Casablanca Stock Exchange¹, including banks, insurance companies, and financial institutions. The study period extends from 2016 to 2022, allowing for a rigorous analysis of market reactions to these events under different economic and financial conditions.

Finally, it is important to note that ESG analysis is not limited to specific ESG criteria but also extends to the appreciation of the quality of the company’s relationships with its external stakeholders such as customers, suppliers, civil society, and others. This proposal and study approach will provide valuable insights into the complex relationship between corporate sustainable practices and shareholder value, with significant potential implications for the Moroccan financial market and beyond.

Between 2016 and 2021, several large listed companies, including CIH Bank², Crédit du Maroc³ (CDM), Bank of Africa⁴ (BOA), BMCI⁵, Banque Centrale Populaire (BCP), and Attijariwafa Bank⁶, demonstrated a sustained commitment to ESG initiatives, covering environmental, social, and governance aspects. CIH Bank implemented measures to reduce its carbon footprint and promote financial inclusion, while maintaining regular dividend payments, despite a decline in 2020 due to the COVID-19 pandemic. CDM adopted rigorous environmental practices, and enhanced continuous training and financial inclusion, contributing to the stability and increase of its dividends. BOA issued Green Bonds and partnered with the European Bank for Reconstruction and Development (EBRD) to finance sustainable projects, regularly increasing its dividends. BMCI maintained partnerships for

¹ <https://www.casablanca-bourse.com/fr>

² <https://www.cihbank.ma/>

³ <https://www.creditdumaroc.ma/>

⁴ <https://www.bankofafrica.ma/>

⁵ <https://www.bmci.ma/>

⁶ <https://www.attijariwafabank.com/fr/rse>

environmental sustainability, stabilizing its dividends despite adjustments during crises. BCP reduced its CO₂ emissions and financed green projects, thus strengthening investor confidence and increasing its dividends. Attijariwafa Bank promoted financial inclusion and reduced its ecological footprint, significantly increasing its dividends in 2021. Collectively, these companies have integrated ESG principles into their overall strategies, demonstrating that ESG commitments can enhance investor confidence and contribute to corporate resilience and sustainable growth while maintaining or increasing dividend payments. Between 2016 and 2021, SALAFIN⁷, EQDOM⁸, and MAGHREBAIL⁹ showed sustained commitment to ESG initiatives, aiming to improve their ESG performance. SALAFIN implemented various initiatives, including the use of low-energy lighting and the promotion of diversity and equality, while maintaining regular dividend payments, despite a temporary reduction in 2020. EQDOM focused its ESG efforts primarily on social and governance aspects, strengthening its strategic partnerships and diversifying its business activities, which allowed it to maintain significant dividends even during the pandemic. MAGHREBAIL, for its part, emphasized efficient resource management, emission reduction, and the promotion of eco-friendly practices, while enhancing transparency and ethical practices. Despite the economic impacts of the pandemic, MAGHREBAIL managed to maintain regular dividend distribution, illustrating a positive correlation between ESG performance and financial results. Collectively, these companies have integrated sustainability into their overall strategies, creating value for shareholders while ensuring resilience and social responsibility.

Between 2016 and 2021, Wafa Assurance¹⁰, AGMA¹¹, SANLAM MAROC¹², and ATLANTA ASSURANCE¹³ demonstrated a significant commitment to ESG initiatives, covering environmental, social, and governance aspects. Wafa Assurance initiated partnerships to promote hybrid vehicles and implemented wellness and workplace safety programs while maintaining regular dividends. AGMA focused on sustainable development, employee training, and governance structuring, although specific data on dividends are not available. SANLAM MAROC emphasized financial inclusion and digital transformation while enhancing waste management and anti-corruption efforts, adjusting its dividend payments in response to the economic impacts of the pandemic. ATLANTA ASSURANCE pursued sustainability and social responsibility initiatives, including promoting eco-friendly vehicles and supporting local communities, while increasing

⁷ <https://www.salafin.com/>

⁸ <https://www.eqdom.ma/>

⁹ <https://www.maghrebail.ma/index.php>

¹⁰ <https://wafaassurance.ma/fr>

¹¹ <https://agma.ma/>

¹² <https://sanlam.ma/fr/>

¹³ <https://www.atlantasnad.ma/>

its dividends each year. Collectively, these companies have integrated sustainability into their overall strategy, creating value for shareholders and ensuring resilience and social responsibility despite economic challenges.

Between 2016 and 2021, ESG initiatives have been a strategic pillar for many large listed companies, including CIH Bank, CDM, BOA, BMCI, BCP, and Attijariwafa Bank, as well as SALAFIN, MAGHREBAIL, Wafa Assurance, AGMA, SANLAM MAROC, and ATLANTA ASSURANCE. These companies have demonstrated that integrating environmental, social, and governance practices can not only improve company performance and resilience but also strengthen investor confidence, leading to stable and sometimes increasing dividends despite economic challenges, particularly those caused by the COVID-19 pandemic. By adopting measures such as carbon emission reduction, promoting financial inclusion, enhancing transparency and ethical practices, and investing in employee training and well-being, these companies have succeeded in creating value for their shareholders. Their continuous commitment to ESG principles shows that sustainable and responsible practices are essential for long-term success and financial stability, illustrating a positive correlation between ESG performance and financial results.

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