DISCLOSURE OF SUSTAINABILITY INFORMATION IN LIGHT OF INTEGRATED REPORTS AND ITS IMPACT ON ENHANCING THE VALUE OF THE COMPANY

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ABSTRACT

The research aims to measure the level of sustainable disclosure and its reflection on the value of companies in light of integrated reports. As well as a statement of the function of integrated reports and its impact on enhancing the value of companies and the benefits of integrated reporting and improving the information environment. Stakeholders, especially investors, can know the extent of the company’s wealth, performance, and success rate through the level of sustainable disclosure in light of the published integrated reports and the sustainability information they contain. Therefore, the higher the level of sustainable disclosure that the company undertakes through its integrated reports, the more investors' interest in the value of the company and thus is reflected in the increase in the value of its shares, and to achieve this goal, the Iraqi banks listed in the Iraq Stock Exchange were chosen as a research community, represented by a sample of five banks that were selected from among the Iraqi banks listed in the Iraq Stock Exchange. To enrich the theoretical aspect of this research, the researchers relied on many Arab and foreign sources such as books, periodicals, articles, and published accounting research, as well as previous studies and other documents related to the topic and its merits, as well as the use of the international information network (INTERNET). As for obtaining data on the practical side, they relied on the financial reports of the banks, the research sample published in the Iraq Stock Exchange, as well as the Iraqi Securities Authority, for study and analysis, to reach indicators through which the theoretical framework can be linked to the practical side and to reach conclusions and recommendations related to the topic of research. The researchers reached several conclusions, the most important of which are: There is a direct relationship between the level of disclosure of sustainability axes according to ESG indicators in the application of GRI standards and the value of Iraqi banks listed in the Iraqi Stock Exchange according to Tobin's Q, especially the sustainability axis related to the governance aspect. Therefore, the most important recommendation made by the research is the need to pay sufficient attention to sustainability indicators, especially those that suffer from weak levels of disclosure.

Keywords: sustainable disclosure, sustainability reports, integrated reports, company value.

I. INTRODUCTION:

The great development in the business environment in recent years has led to the issue of sustainability in economic units becoming one of the most important performance indicators, which was not limited to financial performance, but went beyond it to achieving welfare for the community, preserving the environment, developing the economy and activating the role of governance. Increasing awareness of and reporting on the importance of sustainability has led to a growing interest in sustainability from business institutions, as well as accounting and professional organizations and associations, as well as academics, especially after the accounting problems faced by major international companies at the beginning of the twenty-first century, and the call for global initiatives for the preparation of sustainability reports and the growing Demand to validate these reports and to ensure companies are transparent in their management of Environmental, Social and Governance Standards (ESG). The most important of these global initiatives for the preparation of sustainability reports is the Global Reporting Initiative (GRI), which promotes economic, social, and environmental sustainability, as it leads to the provision of a comprehensive framework for reporting and preparing reports for all companies and institutions that are widely used all over the
world by setting and approving standards for the initiative to apply them on a globally consistent basis, providing a common language and a unified way for companies and stakeholders to report and understand the impact of companies on the economy, environment, and society, increasing the quality and ensuring transparency of information for stakeholders including future generations, allowing greater accountability and thus providing stakeholders with the ability to identify and compare impact for different companies. The trend of harmonizing corporate reports has begun to evolve into an integrated report that combines financial and non-financial reports in one document, as it is believed that the content of integrated reports can communicate what is good and bad for the company, which is expected to attract the confidence of stakeholders such as creditors and investors to invest their money in the company and thus increase its value, and stakeholders, especially investors, can know the extent of the company’s wealth, performance and success rate through the level of sustainable disclosure in light of the published integrated reports and the sustainability information they contain. Therefore, the higher the level of sustainable disclosure made by the company through its integrated reports, the more investors’ interest in the value of the company is expected, and thus reflected in the increase in the value of its shares.

From this point of view, the current study came to shed light on the impact of the level of sustainable disclosure carried out by companies on the value of those companies. The research focused on sustainable disclosure according to (ESG) indicators in the application of (GRI) standards, so it specialized in measuring the value of the research sample banks using the Tobins Q equation and testing the influence relationship between its variables.

- The first Section: Research methodology

**Research Problem**

The research problem lies in the following questions:

- What is the impact of disclosing sustainability information under integrated reports on enhancing the value of economic units?

- What is the impact of preparing integrated reports on the performance of economic units?

- What is the level of disclosure of sustainability information related to the axis (economic, environmental, social, governance) through (ESG) indicators in the application of (GRI) standards in Iraqi banks listed on the Iraqi Stock Exchange?

**Research Objective**

The current research aims to achieve the following:

- Providing a theoretical framework on the concept and importance of sustainability information in light of integrated reports and their disclosure and the extent to which the level of such disclosure affects the value of companies.

- Measuring the level of sustainable disclosure and its reflection on the value of companies in light of integrated reports.

**Research Hypothesis**

There is a statistically significant impact relationship between the level of disclosure of sustainability axes (at least one) according to (ESG) indicators in the application of (GRI) standards and the company’s value according to (Tobin’s Q).

**Importance of Research**

The importance of the research comes from the main goal of companies in their business of maximizing their wealth or maximizing the value of the company, and this means maximizing the wealth of investors, especially shareholders, by maximizing the market value of the stock. To achieve this goal, appropriate information about the company, whether financial or non-financial, must be available. This information is provided in reports known as integrated reports that are clear to stakeholders, especially capital providers.
Integrated reporting leads to enhanced company value, which means that the benefits of integrated reporting in companies exceed the cost. In addition, companies that publish integrated reports that include information on sustainability, can improve the complex information environment in the company and can alleviate information asymmetry between company management and external stakeholders. In addition, integrated reports affect the capital market because the increased information allows investors to make more accurate forecasts of cash flows. In addition, sustainable disclosure improves transparency and thus reduces risks.

II. RESEARCH LIMITS

- Research time limits

The temporal limits of the search are represented in the annual financial statements for the years (2016-2017-2018) for the research sample banks published in the Iraq Stock Exchange and the Iraqi Securities Commission.

- Spatial boundaries of research

The spatial boundaries of the search are as follows:

- Research community: The research community is represented by a group of Iraqi banks listed on the Iraq Stock Exchange during the research period.

- Research sample: As for the research sample, it is represented by five banks that were selected from among the Iraqi banks listed in the Iraq Stock Exchange, which are (Northern Bank for Finance and Investment, United Investment Bank, Gulf Commercial Bank, National Islamic Bank, and Al-Mansour Investment Bank).

- The second section: the conceptual framework of the research

This topic deals with two axes: the first reviews the theoretical framework for sustainability and its disclosure, and the second reviews the value of the company and its relationship to sustainability, my agencies:

- The theoretical framework for sustainability and its disclosure

The origin and concept of sustainability and sustainable development

Sustainability has been a focus of debate in international publishing for nearly two decades. This is because this concept not only pays attention to profit but also pays attention to long-term business sustainability. As sustainability does not focus on the interests of investors and shareholders only but also focuses on the responsibility of stakeholders who have been directly or indirectly affected by the company's business and activities. Corporate awareness of the trend towards sustainable development is driven by the needs of stakeholders (Caesaria & Basuki, 2017: 1). The concept of sustainable development arose at the beginning of the seventies of the last century when there was a dialogue in the forums about economic development and its impact on humans and the environment, and the interest increased strongly in this period due to the clear shortage of resources, as the deterioration of the environmental situation at the global level led to the holding of many Conferences and seminars on development and growth, and in the late seventies more advanced development theories appeared, and these theories contained more profound and comprehensive views of development and growth, and there was an analysis of the impact of economic policies on environmental and social issues such as the distribution of salaries within the social aspects, and pollution within the environmental aspects. The stages of sustainable development can be traced historically as follows: (Gunawan, et. al., 2020: 1-3)

- In 1968 AD, the Club of Rome was established, as it represented the first idea of the emergence of interest in the environment and thus sustainable development.

- In 1972 the club published in Rome a report on the development of society and its relationship to the exploitation of economic resources.

- In 1972, the summit conference was held in Stockholm, as it presented a set of decisions related to the development of economic resources and the need to clarify the interrelationship between economic problems
and the environment, and the developing countries demanded that they have the priority right in development, as they want to make the environment better and as a result reduce the gap between rich and poor countries.

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- In 1972, the summit conference was held in Stockholm, as it presented a set of decisions related to the development of economic resources and the need to clarify the interrelationship between economic developing problems and the environment, and the countries demanded that they have the priority right in development, as they want to make the environment better and as a result reduce the gap between rich and poor countries.

Dimensions of sustainable development

The Brundtland report in 1987 emphasized the close link between economic, environmental, and social development, as the World Summit held in Johannesburg in 2002 identified the main dimensions of sustainability as the economic dimension, the environmental dimension, and the social dimension, and there was a strong belief that the effectiveness of Sustainable development depends on concerted efforts in these three dimensions, as each of these three dimensions includes several activities that overlap with each other to ensure the achievement of sustainable development (Saber, 2010: 319):

- Economic Dimension

This dimension is based on a principle according to which it leads to the increase of social welfare to the maximum extent possible and the elimination of poverty, and this is through the optimal exploitation of natural resources, and stopping the waste of resources, and from here came sustainable development as an urgent need to rationalize the consumption of resources and change consumption patterns that lead to To the threat of biodiversity, such as the consumption of animal products that threaten with extinction in developed countries, and the economic dimension represents the greatest function in the distribution of wealth (Jamil, 2018:53). This dimension also aims to increase the level of human well-being by increasing goods and services and achieving economic efficiency through the rational use of available scarce resources (Al-Sawy, 2012:105).

- Environmental Dimension
The environmental dimension represents the important pillar in sustainable development, as it includes the preservation of environmental resources as one of the important and necessary elements in production processes, as well as the optimal use of natural resources, and it is not only their availability because they are not owned by a particular generation, but also the property of future generations, and must be preserved and ensured the safety of Environmental systems (water, land, air) are free from pollution, and it is necessary to achieve interdependence between the management of natural and human resources, and understanding the interactive relationship between these resources enables managers to make better decisions (Ibrahim, 2016:10), noting that the environmental dimension It constitutes a concern related to how to manage scarce natural resources wisely and rationally to achieve human well-being.

- Social Dimension

This dimension aims at distributing economic and natural resources, delivering social services such as education and health to those who fairly need them, eliminating poverty and unemployment, and developing cultures and relationships. Sustainability is characterized by this dimension because it represents the human dimension, which makes growth a means of social cohesion, and it cares about natural human rights. To live in a safe, clean, and pollution-free environment, where he can practice all activities while ensuring his fair share of social and environmental services, and invest natural resources in his basic needs of clothing, food, air, etc., and meet secondary needs without affecting his Social rights for future generations (Mahmoud et al., 2012:233). The report "Our Common Future" on the World Commission on Development and the Environment also emphasizes the role of population in sustainable development processes, and considers the population themselves as a creative resource, as the ability to innovate is a source of strength and an asset that societies should preserve, as sustainable development is not achieved without growth Human resources and population growth, which are considered one of the main elements to reach sustainable development.

- What is the sustainable disclosure and its goals?

A large group of companies realized the importance of disclosure. For non-financial information, for example, Disclosure of sustainability through sustainability reports proving its contribution to achieving sustainable development. It defines sustainable disclosure as disclosing the reports that companies publish to external and internal users, in which the full picture of the company’s position and its economic, social, environmental, and governance activities is clarified, and the extent of its commitment to good disclosure practices in achieving sustainable development (Nobance & Eillili, 2015:2). While we find that the Global Reporting Initiative defines sustainable disclosure as How the company contributes or seeks to achieve a contribution in the future to the improvement or deterioration of social, economic, and environmental conditions, in addition to developments and trends at the global, regional and local levels (Global Reporting Initiatives, 2013: 17).

Sustainability disclosure has evolved from its main focus on environmental issues to focus on the social activities of companies, and the disclosure of all information necessary to achieve the Triple Reporting (TBL), which is represented by Information on Sustainability Dimensions (EGSEE). As for License, sustainable disclosure is defined as the method necessary to transfer information related to the financial and non-financial performance of the company to the direct and indirect stakeholders (Lisene, 2015:13-14). (Fagerströmm, 2016:18) sees it as the means used to inform stakeholders inside and outside the company about the significant impact of the company and its performance in the field of sustainability. As for (Abu Zar and Al-Atoum, 2016:134), it is mentioned that sustainable disclosure: describes how companies deal with important financial and non-financial facts, such as matters related to economic, environmental, and social issues, in addition to issues related to governance, opportunities, and risks that can affect the future performance of companies and their income and value. And defined (Schaltegger et al, 2006:15) as the formal means through which information is provided regarding the actual situation, and progress towards achieving corporate sustainability. As (Brocket & Rezaa, 2012:27) believes that sustainable disclosure represents: providing a model in which financial and non-financial information is available on indicators related to the main activities related to economic performance, social, ethical, governance, and environmental performance.

The researchers believe that sustainable disclosure is defined as the reports through which information related to the company's economic, environmental, social, and governance activities is disclosed to all users and to ensure the extent of its contribution to achieving sustainable development.
(GRI, 2015) stated that the disclosure of sustainability represents the disclosure of corporate social responsibility, which helps organizations to measure and understand their economic, social, and environmental performance, after which goals are set and change is managed more effectively. As the disclosure of sustainability does not reflect profit only in the long run. Long but also reflects the disclosure of information related to the well-being of society and people.

The concept of corporate social responsibility appeared in the fifties of the twentieth century, and began to spread in the seventies, as it received attention and popularity in the nineties as well as in the first decade of this century, in addition to the emergence of social reports at the end of the seventies showed the community awareness of the non-financial activities of the facility, especially what Related to the issue of human rights and employment, but this trend has decreased to some extent due to the lack of measurable and reliable indicators in subsequent years (1,2010, Lin). The term Corporate Social Responsibility (CSR) is used to describe the establishments' awareness of the impact of their activities on environmental and social issues, as well as their consideration of governmental requirements, and the steps they take to communicate and deal with these issues. facilities, enhancing strategic operations and managing risks, as it coordinates efforts to improve community management and reduce the company's consumption of natural resources (Hughen & Lulseged, 2014: 57). (Schiehlé&Wallin, 2014:28) identified two important objectives for sustainability disclosure:

- Evaluating the economic, environmental, and social aspects of the company.
- Disclose the efforts regarding the sustainable performance practiced by the company to the stakeholders.

**Sustainability Reports and Integrated Reports and the difference between them**

The preparation of sustainability reports has become a common practice and is generally considered positive, especially for large economic units, as we find that sustainability reports for economic institutions are a way to meet the needs of stakeholders for the information necessary to assess their sustainable performance because financial reports no longer provide sufficient information on the multiple dimensions of value Institutions, which led to an increase in the demand for the preparation of sustainability reports.

There are multiple definitions of sustainable development. We mention the most famous of these definitions: The World Business Council for Sustainable Development (WBCSD) defines them as Reports on sustainable development. These reports are made public by economic units to provide internal and external stakeholders with information about the activities of those units based on their economic dimensions. While the Global Reporting Initiative (GRI) defines it as: those reports that express the practice of measuring and disclosing sustainable development and that the economic unit is responsible to the parties with internal and external interests for organizational performance towards the goal of development (https://www.globalreporting.org/standards/) As for Sidorova & Gurvitsh, they indicate that sustainability reports represent the economic units integrating the information of their environmental and social activities alongside their economic activities in their financial statements or separately to clarify the extent of their responsibility towards society and evaluate their performance. By stakeholders (27: 2012, Sidorova & Gurvitsh) Sustainability Reports (58: 2014, Hughen et al.). It is the explicit declaration of the activities of the economic, environmental, and social units by those units to stakeholders and clarifying their responsibility towards society and the risks they are exposed to achieve more transparency for their operations. As for (5: 2019, Boiral et al), they mention that it is the process by which measurement, disclosure, and accountability is exercised to internal and external stakeholders about the organizational performance of the economic unit towards achieving the goal of sustainable development. Shaaban believes that they are: reports that contain information related to the economic, environmental, social, and governance dimensions, as well as identifying important aspects through the participation of stakeholders (Shaaban, 2019: 44).

Sustainability reports can be defined as an organized presentation of the economic, social, and environmental performance of economic units in the form of reports to increase transparency.

Sustainability reports do not mean that economic units divide responsibility into an economic dimension, an environmental dimension, and a third-social dimension, considering that they are isolated from each other. On the contrary, all these dimensions must be considered as one unit, and that any dimension of them contributes equally to achieving the ultimate goal of the unit. Economic. Sustainability reports from the economic side ensure the availability of transparency and financial information promptly for all stakeholders from the investors. As for the
social side, this part is concerned with deciding the public interest of the communities in which the units operate, as well as providing information on ethical standards and practices for hiring employees. Charitable donations, professional development, and other social works. As for the information related to the environmental aspect, it includes the activities of economic units on the environment, including data related to product safety, standards of production charters, as well as the use of resources in production. Sustainability reports provide disclosures about the most prominent economic, social and environmental impacts that occur as a result of the economic units carrying out their activities, whether positive or negative and have an impact on the society and environment surrounding that unit. The sustainability report must provide a reasonably balanced representation of these effects, and provide an increased Transparency of economic unit practices, and gives an honest representation of stakeholders on economic, social, and environmental performance (3: 2013, GRI). The purpose of sustainability reporting is to enhance the value and reputation of the brand in addition to gaining a competitive advantage, increasing the transparency of non-financial activities within the unit, and motivating employees to achieve sustainability goals (50: 2010, Lin).

From the above, it becomes clear to the researchers that: The economic units that make sustainability reports are units that evolve over time because they make more effective decisions, they take all aspects that include implications for their economic, environmental and social performance.

As for integrated reports, there are multiple definitions for them, as they were defined by (IIRC) as reports that contain important information that reflects economic, environmental, social, and governance performance (Mansour, 2020: 21).

There is a set of definitions of integrated reports that agree that integrated reports include information on the activities of companies, including financial, economic, environmental, social, or governance information, including information on sustainability, business model, company strategy, opportunities and risks, and therefore they represent a means of communicating financial and non-financial information. Financial statements on the company’s performance to serve stakeholders (6:2017, Tweedie et al).

(Mohammed and Abdel-Jalil, 2018: 108) believes that the integrated report is: the report that links the environmental, social, and governance practices of economic units to their financial performance. It links the future and the present and includes a disclosure of the strategic performance of the economic unit and the risks it faces.

It was also defined as how economic units communicate information to stakeholders and investors about the mechanism through which they can create value and the ability to maintain that achieved value (Shaaban, 2019:22).

While (Ibrahim, 2019:13) mentions that integrated reports are reports that communicate information about the company's life and its vision towards achieving its goals, through information about its current and expected performance.

The researchers believe that integrated reports are defined as: reports that contain financial information and sustainability information at the same time and that they reflect the image of the economic unit and its performance.

The difference between sustainability reports and integrated reports is that the first - sustainability reports - provides information related to the activities of the economic unit and its objectives towards social and environmental issues, consumers and workers, equal opportunities, energy use, corporate governance, and others, as many standards and guidelines that are used by Large economic units, including the Global Reporting Initiative for Sustainability Reports (GRI) and its latest edition, G4. The principles of sustainability reporting include relative importance - comprehensiveness of stakeholders - accuracy - comparability - appropriate timeliness - reliability and clarity (Al-Daim and Al-Aqili, 2015: 166). ).

While the integrated reports, the interest of academics and professionals in them increased in 2010 through sustainability projects, as the Integrated Reports Committee was formed, and in 2013 the first concise integrated report (IR) was issued on the strategy of the organization, performance, governance, and future vision, and this is within the context of the external environment, as it leads To create long-term value, and that integrated reports mainly target investors and providers of financial capital, and therefore they do not target all stakeholders as is the case in sustainability reports as it is not based on all stakeholders, as the integrated report communicates financial
and non-financial information. Financial information on the overall performance to assist stakeholders in making decisions, and to know the ability of the economic unit to create value (Ali, 2012:7).

The two researchers believe that the difference between them lies in the following: (Integrated reports apply the IIRS framework, and we note flexibility in application, and all elements are disclosed, unlike sustainability reports that follow the Global Reporting Initiative (GRI) as it is a specific list of elements that are disclosed about her).

- **Company value and its relationship to sustainability**

The concept of company value

Companies can create value, which is represented by the added value: for themselves and all stakeholders through the interaction between their activities and the interrelated relationships between their resources, which affect the company’s ability to rely on them on an ongoing basis, and that the process of creating value according to the traditional financial reporting carried out by all companies is represented by financial capital and is measured by Annual financial reports continuously, and this value is converted into gains for stock prices or profits for shareholders (Robertson, 2015: 46).

The value of the company is defined as the number of cash flows that are expected to be obtained in the future for shareholders as a result of their investment operations in shares of an economic unit, that is, the value of the company is determined by the market value of the shares in the financial market (Al-Ghanimi, 2017: 74).

- **Using Tobin’s Q Index to measure a company's value**

The ratio between the market value of the company's assets and the replacement value of its assets is used to estimate the value of the company and measure performance from the perspective of investors in Tobin's Q index. Present a simplified formula that has a high estimated accuracy for estimating the ratio does not require estimating the market value of debt and preferred stocks and was based on the estimation of the replacement value of assets based on book value.

The above equation will be used to measure the value of companies (the research sample), as it was shown by (Faozi et al., 2019:186-187) that the higher the company's performance and stock prices, the higher its value. Q can be used to determine a company's value by anticipating higher stock prices, better company performance, and better investment opportunities. The evaluation criteria are as follows: - Q>1 The company's management was successful, and as a result, there is great growth potential. High, Q=1 is in a medium state, which indicates that the management is in a state of stagnation in the operation of its assets. This means that the management has failed to operate the company's assets (Simanjuntak et al., 2016:18-19), while between (Matiur, Muhammad,) the value of the company Q is low if it is between (1-0), which indicates that the market value Less than the recorded value of the company’s assets, and this shows that the market reduces the value of the company and the value of its shares, which indicates a decrease in its value. However, the value of the company in the financial market is medium in the sense that whatever the value of the company (Q>1) reflects the good performance, high profitability, and high market value of the company, but if (Q<1) this indicates low performance, low profitability and lower market value (https://static1.squarespace.com).

- **The impact of sustainable disclosure in integrated reports on the value of the company**

The integrated reports are the latest reports that contain the financial and non-financial information of the company, as the trend of coordinating corporate reports has begun to evolve into an integrated report that combines financial reports and non-financial reports in one document. The report develops to adjust the information requirements that stakeholders need regarding the company's performance and conditions with financial indicators that were not sufficient to provide information to the company. Financial and non-financial disclosures in separate forms can reduce the information and understanding of the stakeholders of the company, and it is expected that simplifying the reporting in a single report for all the stakeholders will increase the transparency of the company, in addition to that the increased content of the reports is the best driving force for creating value for the company and risk reduction (Ching & Gerab, 2017:12).

It is believed that the content of the reports is capable of telling what is good and bad for the company, which is expected to attract the confidence of stakeholders such as creditors and investors to invest their money, and
stakeholders, especially investors, can know the company’s profits, performance and success rate through published integrated reports, so the greater the forms of accountability that the company, the interest of investors in the value of the company will increase as reflected in the increase in the value of shares. Companies that have certain characteristics, such as companies with highly complex external financing needs, can benefit from integrated reports as a way to reduce information asymmetry, and therefore integrated reports meet the information needs of shareholders. Especially in complex companies, it is believed that they contain information more consistent with the needs of investors who need more accurate non-financial information that is useful to them in making decisions, allocating resources better, reducing risk management and better identifying opportunities.

Many studies have addressed the benefits of integrated reporting for capital providers. The research by Lee & Yeo found that there is a positive relationship between integrated reporting and company value, which means that the benefits of integrated reporting in companies outweigh the cost. Additionally, companies that publish integrated reports can improve a company's complex information environment and can alleviate information asymmetries between company management and external stakeholders (Lee & Yeo, 2016:3). In extension with Lee & Yeo's research, Barth and others conducted similar research by separating company values into three components: liquidity, capital costs, and expected future cash flows in companies. The results showed that integrated reports have a positive relationship to company value (Barth, et al., 2017:2), which is consistent with the results of Lee & Yeo), in addition, there is a positive relationship between integrated reporting and expected future cash flow and liquidity. The effect on the capital market has been that increased information allows investors to make more accurate cash flow forecasts.

Baiman & Verrecchia presents the view that managers have information about the company that shareholders do not. Therefore, there is certain information that is known only to the managers, and this information is absent from the shareholders. Therefore the company as an insider with information needs to provide the information to third parties which are then captured as signals, it is expected that increased information provided as a signal to other parties will reduce information asymmetry between companies and stakeholders and that such signals transmitted to the public can reduce Information asymmetry, improve financing, and increase the value of the company, this theory is known as the theory of signaling or signaling theory, and by this theory, companies provide information outside the limits of responsibility as a signal that stakeholders can observe to distinguish the competitive advantage of the company. Therefore, the integrated reports represent a signal from the company to reduce information asymmetry. Through it, companies provide in an integrated manner the management and performance information of the company, whose information can be interpreted as positive or negative signals by stakeholders to influence the decision-making process. More quality signals received by stakeholders are expected to reduce information asymmetry and have the effect of increasing the value of the company (Leonardo, 2018:2).

Integrated reporting is believed to be able to create consistent value over time targeting the company itself such as financial returns to providers of capital, other people such as stakeholders, and the broader community. These reports can be aligned with the interests of managers and shareholders to achieve overall accountability. In addition, it also enables the company to provide information on sustainability strategies to stakeholders to find different mechanisms for value creation. Companies can share value creation and risk as a good signal by increasing the content of company reports. As more forms of accountability are implemented, the interest of investors will increase. Maintaining a level of sustainable disclosure by companies can continually reduce information asymmetry and have the effect of increasing the share offer price and thus increasing the value of the company (Macias & Farfan-Lievano, 2017:5).

- **The third topic: the practical aspect of research**

- **Measuring the level of sustainable disclosure in banks, the research sample**

Through the (ESG) indicators that were selected to measure the level of sustainable disclosure and will be used in the banks of the research sample without compromising their basics while adapting them to suit the Iraqi environment and reaching accurate results as possible.

**First, the economic axis**

This axis relates to the company's impact on the local and global economic systems, as well as on the economic conditions of the company's stakeholders. This axis constitutes (six) sub-aspects (items) and each aspect includes...
a set of indicators, totaling (13) indicators and each indicator consists of a set of disclosure requirements of its own. Shown in Appendix (1) and on the basis of these requirements, the level of disclosure by Iraqi banks (the research sample) about the information related to this axis (the economic axis) during the period (2016-2018) will be measured, as the level of disclosure of economic information will be measured according to the following formula:

\[
\text{Disclosed Requirements / Total Requirements} \times 100\%
\]

Second: the environmental axis

This axis relates to the company's impact on natural systems, including land, water, air, and environmental systems, and covering the effects related to inputs (such as energy and water) and outputs (such as emissions, effluents, and waste). In addition, it is working to cover biodiversity, transportation, effects related to product and service, environmental compliance, and environmental expenditures. This axis constitutes (eight) sub-aspects (items), and each aspect includes a set of indicators, totaling (30) indicators, and each indicator consists of a set of its disclosure requirements shown in Appendix (2). Based on these requirements, the level of disclosure of Iraqi banks will be measured (the research sample ) about the information on this axis (environmental axis) during the period (2016-2018), as the level of disclosure of environmental information is measured according to the following formula:

\[
\text{Disclosed Requirements / Total Requirements} \times 100\%
\]

Third: the social axis

This axis relates to the company’s impact on the social systems in which it operates. This axis constitutes (nineteen) sub-aspects (items) and each aspect include a set of indicators, the total of which is (34) indicators, and each indicator consists of a set of disclosure requirements of its own shown in Appendix No. 3. Based on these requirements, the level of disclosure by Iraqi banks (the research sample) about the information related to this axis (the social axis) during the period (2016-2018) will be measured, as the level of disclosure of economic information is measured according to the following formula:

\[
\text{Disclosed Requirements / Total Requirements} \times 100\%
\]

Third: General Disclosures

It applies to all companies that prepare sustainability reports to disclose information on economic, environmental, social, and governance performance

- Governance: - It is one of the two general disclosures for all companies that prepare sustainability reports regarding the formation of a governance body and entrusting it with the responsibility of making decisions and evaluating its performance and effectiveness by managing risks in support of the company’s objectives. It consists of (22) indicators and (31) requirements for disclosing its governance performance shown in Appendix No. (4) based on these requirements, the level of disclosure of Iraqi banks (the research sample) about information related to their governance performance during the period (2016-2018) will be measured, as the level of disclosure of government performance will be measured according to the following formula:

\[
\text{Disclosed Requirements / Total Requirements} \times 100\%
\]

Other public disclosures

It consists of (five) sub-aspects (items) and each side includes a set of indicators that represent (34) indicators and each indicator consists of a set of its own disclosure requirements shown in Appendix (5) and based on these requirements will be measured the level of disclosure of Iraqi banks (the research sample) During the period (2016-2018), the level of disclosure of information related to other public disclosures is measured according to the following formula:

\[
\text{Disclosed Requirements / Total Requirements} \times 100\%
\]
Measuring the value of the research sample banks using Tobin's Q model

Tobin's Q model is one of the important models for measuring the level of companies' performance. This model was discovered by James Tobin in 1969, as this model is used to determine the extent of the profitable performance of banks and their future expectations. The company according to the following model:

\[
\text{Tobin's Q} = \frac{\text{MVE} + \text{PS} + \text{DEBT}}{\text{TA}}
\]

MVE = stock price at the end of the year multiplied by the number of common shares subscribed.

PS = cash value of the company's outstanding preferred shares.


TA = book value of the company's pool of assets.

The table below shows the percentages of the level of disclosure of the five sustainability axes and the value of the banks in the research sample for the three years:

<table>
<thead>
<tr>
<th>Other public disclosures</th>
<th>Governance Hub</th>
<th>social hub</th>
<th>Environmental Axis</th>
<th>economic hub</th>
<th>Company value according to Tobin's Q</th>
<th>the years</th>
<th>the bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>9.678</td>
<td>12.859</td>
<td>4.879</td>
<td>37.5</td>
<td>0.06</td>
<td>2016</td>
<td>North Finance Bank and investment</td>
</tr>
<tr>
<td>50</td>
<td>9.678</td>
<td>12.859</td>
<td>4.879</td>
<td>37.5</td>
<td>0.056</td>
<td>2017</td>
<td>United Commercial Bank</td>
</tr>
<tr>
<td>52.5</td>
<td>12.904</td>
<td>11.43</td>
<td>4.879</td>
<td>34.375</td>
<td>0.027</td>
<td>2018</td>
<td>Gulf Commercial Bank</td>
</tr>
<tr>
<td>42.5</td>
<td>22.582</td>
<td>14.288</td>
<td>4.879</td>
<td>37.5</td>
<td>0.338</td>
<td>2016</td>
<td>Islamic National Bank</td>
</tr>
<tr>
<td>42.5</td>
<td>22.582</td>
<td>14.288</td>
<td>3.659</td>
<td>37.5</td>
<td>0.31</td>
<td>2017</td>
<td>Al-Mansour Investment Bank</td>
</tr>
<tr>
<td>45</td>
<td>25.808</td>
<td>14.288</td>
<td>3.659</td>
<td>37.5</td>
<td>0.238</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>25.808</td>
<td>10.002</td>
<td>4.879</td>
<td>40.625</td>
<td>0.304</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>25.808</td>
<td>11.43</td>
<td>4.879</td>
<td>40.625</td>
<td>0.189</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>42.5</td>
<td>22.582</td>
<td>11.43</td>
<td>4.879</td>
<td>40.625</td>
<td>0.08</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>38.712</td>
<td>14.287</td>
<td>3.659</td>
<td>31.25</td>
<td>0.663</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>38.712</td>
<td>14.287</td>
<td>3.659</td>
<td>31.25</td>
<td>0.702</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>47.5</td>
<td>29.034</td>
<td>12.859</td>
<td>4.879</td>
<td>34.375</td>
<td>0.663</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>47.5</td>
<td>38.712</td>
<td>14.287</td>
<td>3.659</td>
<td>31.25</td>
<td>0.122</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>42.5</td>
<td>38.712</td>
<td>14.287</td>
<td>4.879</td>
<td>31.25</td>
<td>0.272</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>42.5</td>
<td>38.712</td>
<td>14.287</td>
<td>4.879</td>
<td>31.25</td>
<td>0.106</td>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the researchers based on the financial statements of the banks, the research sample

Testing the influence relationship between the research variables

The main hypothesis: There is a statistically significant impact relationship between the level of disclosure of sustainability axes (at least one) according to (ESG) indicators in the application of (GRI) standards and the company's value according to (Tobin's Q).

To find out whether the effect of the relationship is statistically significant, we test the following two hypotheses:
H0 The null hypothesis: There is no effect of the independent variables (the level of disclosure of sustainability axes) according to the ESG indicators in the application of the (GRI) standards on the value of the company according to (Tobin's Q).

H1 The alternative hypothesis: There is an effect of one independent variable (the level of disclosure of one of the sustainability axes) according to the ESG indicators in the application of (GRI) standards on the value of the company according to (Tobin's Q).

Initially, two Pooled multi-linear regression models were described to represent the relationship between the independent variables (X1: the economic axis, X2: the environmental axis, X3: the social axis, X4: governance, X5: other public disclosures) and the dependent variable (Y: the value of the company) and then work on the comparison among them according to the criteria of the coefficients of determination and corrected determination and the significance of the F test to choose the best one. These models are shown in equations (1) and (2) below.

**linear model**

Since:

1, 2, 3, 4, 5: unknown constant parameters or called regression coefficients.

t and year i represent the dependent variable (the value of the company) in the bank:

t and year i represent the independent variable (the level of disclosure of sustainability for the economic axis) in the bank:

t and year i represent the independent variable (the level of disclosure of sustainability for the environmental axis) in the bank:

t and year i represent the independent variable (the level of disclosure of sustainability for the social axis) in the bank:

t and year i represent the independent variable (the level of disclosure of sustainability, the governance axis) in the bank:

t and year i represent the independent variable (the level of disclosure of sustainability for other public disclosures) in the bank:

Logarithmic form:

<table>
<thead>
<tr>
<th>Sig</th>
<th>F</th>
<th>Adjusted R²</th>
<th>R²</th>
<th>sig</th>
<th>التقدير</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.321</td>
<td>1.340</td>
<td>0.089</td>
<td>0.349</td>
<td>0.350</td>
<td>-3.265</td>
<td>linear</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.409</td>
<td>3.521</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.578</td>
<td>3.008</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.150</td>
<td>2.217</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.378</td>
<td>2.841</td>
<td></td>
</tr>
<tr>
<td>0.049</td>
<td>3.511</td>
<td>0.418</td>
<td>0.584</td>
<td>0.157</td>
<td>15.542</td>
<td>logarithmic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.186</td>
<td>5.651</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.205</td>
<td>2.854</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>0.041</strong></td>
<td>2.149</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.502</td>
<td>3.158</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the researchers based on the outputs of the program Spss v.22
We note from Table (2) that the logarithmic model is nominated as the best model for having the highest determination coefficient and corrected determination coefficient, and this indicates that the model was able to explain 58.4% of the changes in the dependent variable and the remaining 41.6% of the changes are due to other variables that were not included in the model. Combined with a random error limit. In addition, the logarithmic model appeared significant, as we note that the level of significance (Sig = 0.049) of the F-test and its value is less than the level of significance specified for the test. Also, this morale came as a result of the fact that the effect of the variable appeared significant, as we find that the level of morale accompanying the t-test for its parameter was (sig = 0.041), which is less than.

It is also worth noting that the variable X1 was not included in the linear regression model as a result of the existence of a complete direct relationship between it and the variable X2, as the Pearson correlation coefficient reached (1.000) with a level of significance (sig = 000), which confirms its statistical significance and this, in turn, leads to the emergence of the problem of multicollinearity. Also, for the same reason, the logX1 variable was not included in the logarithmic model because it has a completely significant direct relationship with the logX2 variable.

After determining the logarithmic model as the best model, the most important independent variables influencing the dependent variable were determined using the Stepwise Regression method, as this method mainly depends on the calculation of equations, in each step one of the independent variables is nominated to enter the model as the criterion for nominating any variable Independent is the strength of the association with the (accredited) response variable. The criterion for fixing or deleting the independent variable in any step is the (F) test or the (t) test (Kadhim and Al-Dulaimi, 1988: 251) The results are shown in Table (3).

<table>
<thead>
<tr>
<th>Sig</th>
<th>F</th>
<th>Adjusted R²</th>
<th>R²</th>
<th>sig</th>
<th>Appreciation</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.005</td>
<td>11.145</td>
<td>0.420</td>
<td>0.462</td>
<td>0.658</td>
<td>0.278</td>
<td>logarithmic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.005</td>
<td>1.387</td>
</tr>
</tbody>
</table>

Source: Prepared by researchers based on the outputs of the program Spss v.22

- **Statistical Interpretation:**
  - The results showed that the value of the (F-Test) statistic reached (11.145) and that its probabilistic value at the level of significance (α = 0.05) amounted to (P-Value = 0.005), which is less than the level of significance, that is, there is an effect of the independent variable (X4). Log The level of disclosure about the governance sustainability axis (in the dependent variable) Log y value of the company (which confirms the efficiency and morale of the model as a whole. As for the remaining independent variables, they were excluded from the model because their effect was not significant under the gradual regression method.
  - The results showed that the value of () equals (0.462), which indicates that (46.2%) of the change in the dependent variable is explained by the linear regression model, and the remaining percentage (53.8%) is due to the contribution of other variables not included in the study.

Estimated equation (2)) indicates that there is a direct relationship between the independent variables represented by (the level of disclosure of sustainability) and the dependent variable that represents (the value of the company).

**Accounting interpretation of the estimated model**

- A change of one unit from (the level of disclosure of sustainability for the governance axis Log X4) affects (the value of the company Log y) by (1.387), and accordingly, the disclosure of sustainability for the axis of governance has a significant effect on the value of the company.
- The above results indicate acceptance of the existence hypothesis (there is an effect of one independent variable (the level of disclosure of one of the sustainability axes) according to (ESG) indicators in the
application of (GRI) standards on the value of the company according to (Tobin's). At the level of significance (0.05).

- The fourth Section: conclusions and recommendations

First: the conclusions

- There is a direct relationship between the level of disclosure of sustainability axes according to ESG indicators in the application of GRI standards and the value of Iraqi banks listed in the Iraq Stock Exchange according to Tobin's Q, especially the sustainability axis related to the governance aspect.

- Compliance with the standards of the Global Disclosure Initiative (GRI) is considered an important factor in achieving corporate sustainability.

- Through the statistical analysis of the research, the interest of the research sample banks in the governmental dimension is clear more than the remaining dimensions because it has a greater impact on all activities and the weak interest in other dimensions.

- Paying attention to the dimensions and indicators of sustainable development accounting has increasing importance for economic units, as they achieve internal and external benefits over time, and working with them leads to attracting investors and lenders, satisfying stakeholders, increasing the value of the company and achieving sustainable value overtime for the company and society.

- Weak studies and research interest in sustainability accounting and employing the dimensions of the Global Disclosure Initiative (GRI) as one of the important variables in the accounting research streams.

- Disclosure of sustainability helps to present the company's position correctly and its interest in environmental and social issues and not harm the share of future generations and the sustainability of resources.

- There is a significant effect between sustainability according to ESG indicators and GRI standards and company value according to Tobin's Q equation.

Second: Recommendations

- The need to pay attention to the sustainability of companies by the supervising authority on the Iraqi Stock Exchange through the development of an accounting legislative framework that makes companies obligated to report on sustainability by the standards of the Global Reporting Initiative (GRI).

- Inclusion of the concept of corporate sustainability in academic plans and curricula so that university students can view the latest accounting concepts.

- Requiring Iraqi companies listed on the Iraq Stock Exchange to issue a sustainability report in addition to other annual financial reports, while expanding the scope of the external auditor’s work to audit the companies’ sustainability reports and indicate the level of their commitment to implementing the standards of the Global Reporting Initiative (GRI).

- Raising awareness and educating the various stakeholders of the importance of taking into consideration the environmental and social information in addition to the economic information when making important decisions.

- The need to pay attention to the environmental and social dimensions of sustainability because of their significant and direct impact and as a result of the damage left by companies to the environment and their failure to preserve it.

- Spreading awareness of sustainability and raising awareness and educating investors and workers in all
companies and commercial banks of the importance of sustainable development and the importance of disclosing the effects of the environmental, social, and economic activities of companies.

- The need to pay sufficient attention to sustainability indicators, especially those that suffer from weak levels of disclosure.

REFERENCES

9. Al-Khafaji, Iman Jawad, (2018), “Measuring the performance of joint-stock companies according to the S&P / ISX / ESG index and examining the extent of their commitment to reporting on sustainability for the application of GRI standards”, a master’s thesis submitted to the Board of the College of Administration and Economics, the University of Karbala in Science in Accounting, University of Karbala, Iraq