Sustainability Accounting, Sustainability Reporting, and Investor Response: An Empirical Study in a Sample of Iraqi Commercial Banks

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Abstract

In recent years, sustainability in commercial banks has become one of the performance indicators. Sustainability currently contributes to preserving the environment, achieving social welfare, developing the economy, and activating governance. Therefore, this research investigates whether the Iraqi commercial banks listed on the Iraq Stock Exchange by adopting the sustainability accounting standard contribute to improving disclosure, protecting the rights of investors and society as a whole. The Iraqi Middle East Investment Bank (IMEIB) was chosen as a case study for the research. The research obtained its data from the annual audited financial statements of the IMEIB over the period (2015-2016). The study reached some critical conclusions. The most important was that compliance with sustainability accounting standards by the commercial banks listed on the ISE makes it easier to know the indicators related to sustainability aspects by management, investors, or the public. Moreover, some commercial banks operate through their commitment to international and local sustainability standards to maximize their income. In contrast, other banks integrate their regular activities with social, economic, and environmental goals to contribute to achieving sustainable development, attaining social welfare, developing the economy, and protecting the environment.

Keywords

Sustainability Dimensions, Sustainability Accounting, Accounting Reporting, Iraqi commercial banks, Iraq.

Introduction

The issue of sustainability in financial institutions, especially commercial banks, has become one of the performance indicators because of the significant development that the business environment has witnessed in recent years. Sustainability is no longer limited to the financial side only. But exceeds it to the extent of its contribution to preserving the environment, achieving social welfare, and developing the economy besides activating the role of governance. Commercial banks are also considered one of the most important financial institutions that improve the country's economic level as the main driver of economic activity given the development in the legal, regulatory and competitive environment at the international and local levels. On the other hand, banks are exposed to many risks, including fraud, money laundering, and operational risks. Therefore, pressure is increasing from investors to disclose how to deal with these risks and find opportunities to provide their services to underserved societies. The recent financial crisis showed the importance of various financial sources that these banks provide to protect investors by addressing these risks.

Consequently, the commercial banks must improve disclosure, achieve transparency and enhance investors' confidence. These are considered the main factors for their continuity and success. This confidence comes to investors from satisfying their needs and desires with complete information about their investment and future and knowing all the circumstances surrounding these investments. In other words, the essential disclosure of financial and non-financial information transparency is achieved by the commercial banks and the extent of their commitment to the relevant standards and laws. Therefore, these banks have taken upon themselves with their various activities to adopt the concept of sustainability to work within the framework of transparency and protect the rights of investors and society as a whole. The recent financial crisis has revealed the importance of risk management in the work of commercial banks, specifically those banks that have failed in forming sufficient capital reserves to confront liquidity risks, for example, and protect investors' rights. As a result, commercial banks must conduct assessment tests to face such risks. As a serious attempt by the commercial banks to demonstrate how to manage such risks that face investors, these banks should improve disclosure, achieve transparency, enhance investors' confidence in investments and attract capital. This is achieved through the commitment of commercial banks to relevant standards and laws. Therefore, the research problem can be summarized as follows:

Does adopting the sustainability accounting standard by commercial banks listed on the Iraq Stock Exchange (ISE) contribute to improving disclosure and achieving transparency.

- Does the information provided by the sustainability accounting standard to investors in commercial banks listed on ISE contribute to enhancing investors' confidence in investments and the process of rational decision-making?

The importance of the research emerges from the achievement of sustainable development, whether for the commercial banks or investors as one of the components of society who are affected by the conditions and factors in the environment surrounding them. Indeed, the success of any investment decision requires them to know the complete picture of the commercial banks invested in and all their financial and non-financial details because these banks are considered among the financial institutions. They contribute to improving the country's economic level, expanding the dealings and activities of these banks, opening branches to them in different foreign countries, and the association of these banks with international banks. These have led to external and internal investors, which increase the effect of these banks in society. So, the commercial banks have to achieve sustainable development, adhere to disclose issues of environmental, social, and economic sustainability, and comply with governance rules. The research aims to identify the indicators mentioned in the sustainability accounting standard, explain the importance of reporting on them according to a set of accounting standards and guidelines. They indicate their impact by employing these indicators by the commercial banks listed on the ISE. The effect on improving disclosure, achieving transparency, and enhancing investors' confidence, and the financial data which they help them make rational decision improving the investment proc, and attracting capital. This research also attempts to show the ability of commercial banks listed on the ISE to employ the sustainability accounting standard according to a clear concept of sustainability indicators and reporting on them to improve disclosure, achieve transparency, and enhance investors' confidence in the investment.

Literature Review

Sustainability and Going Concern

The emergence and application of sustainable development allow companies to improve their performance and attractiveness and ensure their long-term sustainability through a set of measures in the case they were applied. Al-Dhaimesh (2019) discussed some of these measures as follows:

a) They show the company's ability to respond to the aspirations of society towards it. Companies consider sustainability as an additional gain that enhances their credibility and legitimacy. It also reinforces their reputation, reduces risks, provides sound products, and attracts new investors because of their ethical behavior.
b) They improve the company's performance through renewal, innovation, and adherence to sound policies that reduce its costs (such as fines or penalties due to lack of respect for environmental and social legislation) and consider society's requirements to achieve sustainable development.
c) They ensure the continuity of a company by applying good standards and laws that pertain to economic, environmental, and social aspects. It also contributes to its development and pays attention to the future to reduce negative impacts and manage environmental, social, and financial risks resulting from its activities.

Sustainability Dimensions

Companies have recently witnessed the need for sustainability reports as part of regular businesses to meet the expectations of their stakeholders, investors, and society due to increased public concerns about these issues. For companies to achieve their goals and desires, they must meet the needs and desires of their stakeholders and investors, both current and potential. They demonstrate the extent to which these companies can link economic, social, and environmental factors because the goal for each, according to the relevant indicators, is to achieve sustainable development. The dimensions of sustainability are as follows:

a) Environmental size: It is associated with information related to the effect of companies on the environment and how this information is measured and reported. Its purpose is to improve the performance of companies in environmental sustainability in the long- term through management systems in the companies that can be considered a new tool in ecological sustainability (Krivačić & Janković, 2017). Therefore, the environmental challenge facing companies can develop strategic plans from their specialists in preserving natural resources and combating water and air pollution and all matters related to the environment because this process is no longer limited to a specific party or category. But it has become a responsibility for environmental degradation throughout the world's strategic responsibility that needs extreme and objective attention in controlling and managing ecological affairs. This is because companies are one of the tools in preserving the environment. According to the International Standards Organization (ISO), the term "environment" means "the surrounding environment in which the company operates, including the water, air, land, natural resources, animals, vegetation's, human beings and their interrelationships" (David & David, 2020).

b) Economic dimension: The concepts of sustainable economic, social and environmental development have received a growing interest in recent years by companies because of the tremendous economic effect on the environment and society as a result of increased economic growth, especially in the industrial sector and emissions resulting from it due to its negative impact on the environment. Furthermore, people have become severely concerned due to air and water pollution and the depletion of natural resources. Therefore, companies are required to limit economic growth, preserve the environment and protect the rights of future generations (Uno, 2012).

c) Social dimension: This concept is related to the importance of information associated with the effect of companies' activities and operations on society because it aims to achieve social justice through the distribution of natural and economic resources and the development of cultures and respect for human rights, diversification, and participation (La Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018). These aspects can be considered as indicators of the social dimension because social justice is an indicator reflecting, to a large degree, the quality of life that can be measured by the knowledge of the population living below the poverty line as well as the proportion of the unemployed, public health, education, protecting people from crimes and population growth rates. It is worth mentioning that there is a close correlation between these aspects and the principles of sustainable development (Al-Jawarain, 2016).

The researchers believe that reporting these indicators and preparing reports on the company's performance and their development concerning its performance on sustainability requires merging the dimensions of sustainability above as they are not independent of each other. Still, rather they complement each other because their objective is to ensure its long-term survival, continuity, maximization of its value, and increase its competitiveness besides preserving the community's wealth, resources and environment.

Conditions for Achieving Corporate Sustainability

Sustainability aims to achieve the company's economic wealth and achieve its duties towards social, environmental, and economic activities in general. Therefore, there are three conditions discussed by Schaltegger, Lüdeke-Freund, and Hansen (2012) that companies must fulfill. They are as follows:

a) Companies are obliged to solve problems related to social and environmental activities imposed by government authorities and voluntary works to serve the community and protect the environment.
b) Companies have to create a positive value that contributes to increasing the country's economic value through the company's success in reducing costs, increasing the sales value and competitiveness, raising the achieved profits, and preserving the customers and the company's reputation.
c) Companies have to prove that any managerial activity leads to positive or negative effects, whether on the economic, social, or environmental level.

Consequently, it is clear that some companies, through their commercial operations, aim to maximize their income and adhere to international and local laws and legislations for their sustainability and continuity by applying them to sustainability aspects and not to achieve sustainable development in general. But, on the other hand, companies are also working to integrate their businesses with social, environmental, and economic goals to achieve sustainable growth by applying sustainability aspects, attaining social welfare, developing the economy, and protecting the environment.

Commercial Banks and Sustainability

An investor usually looks for the complete picture of the bank's information as a whole and all its financial and non-financial details. Since accounting is an information system whose primary function is to provide financial and non-financial information, this information helps all parties make various rational decisions, whether for users inside or outside the bank. This section discusses the concept of commercial banks, their economic importance, and their functions.

a) Concept of commercial banks and their economic importance: Many research studies have dealt with the concept of commercial banks in both classic and modern terms. From the traditional viewpoint, a commercial bank can be defined as a financial institution that acts as a financial intermediary between two customer groups. The first group has a surplus of funds to maintain and develop. The second group needs money for operational or investment activities or both. As for the modern point of view, it can be said that a commercial bank is a group of financial intermediaries who accept deposits. These deposits are paid upon request or at specific times and carry out internal and external financing operations to achieve development goals, state policy, and support the economy. It contributes to building projects by developing savings and financial investment, whether at home or abroad (Jasim & Raewf, 2020). Also, the commercial bank was defined as a financial institution that provides a set of financial and banking services that include accepting deposits, providing foreign and local currencies, providing loans and commercial business services, and financing projects in an organized manner (Dong, Firth, Hou, & Yang, 2016). Commercial banks are the most important financial institutions in strengthening the economy as part of the other economic systems. They operate in a competitive environment globally integrated market with a comprehensive effect of technology. Banks have changed their business from domestic borders to international, provided comprehensive banking services to customers, and increased customer satisfaction. The style of banking business has also been changed from cash dealing with the electronic one and the critical role they play as financial intermediaries for all economic activities (Gayathri, 2015).

Moreover, commercial banks play a fundamental role in economic development as the recovery and strength of banks is a precondition for achieving sustainable economic growth. It is an essential part of corporate growth, capital increase, and achievement of financial wealth because competition is at its highest level. This, in turn, makes banks use their resources more effectively by managers and decision-makers by comparing the performance of the bank's activities with the performance of other competing banks' activities. Accordingly, establishing this procedure will contribute to building a developed economy. As a result, all other economic fields can be affected in the case of disturbances in their works because banks are the most important financial intermediaries that accept customers' savings in deposits, provide loans and finance the development of businesses. Therefore, banks are subject to stringent laws compared to other industries as they are responsible for protecting the rights of their customers (Sobhy, Ehab, & Hussain, 2017).

Consequently, it is clear that financial institutions, especially commercial banks, create cash that is of great importance in other commercial activities because of their primary function. Financial intermediaries perform an excellent task in providing financial and banking services to customers, whether people or companies. These banks deal with the two categories in accepting deposits or lending loans. This policy of creating cash leads to a flexible credit system necessary to achieve stable economic growth in the long term (Shrestha, 2014).

The researchers believe that all the previous definitions of commercial banks focus on financial intermediation operations in terms of lending, borrowing, acceptance of deposits, and their reinvestment to maximize cash regardless of whether these operations lead to achieving sustainable development of their three dimensions environmental, social or economic as well as governance or harm them.

b) Functions of commercial banks: Hajela (2009) pointed out that the primary function of commercial banks focuses on financial intermediation operations, and thus commercial bank functions can be clarified as follows:

- Collecting customers' savings and reinvestment, and as a result, customers avoid investment risks, and the bank bears these risks.
- Organizing customers' accounts through which deposits and withdrawals are revealed.
- Carrying out the short- and long-term lending processes, which are the most important sources of funding for the various economic activities of society, regardless of whether they are productive or wasteful.
- Performing financial intermediation operations, whether for individuals or companies within the borders of one country or between countries through one of the branches associated with each bank or through other banks that deal with each other.
- Carrying out credit operations through the payment that their increase or decrease can lead to changes in the financial markets. It gives confidence to those dealing with banks because they usually maintain a certain percentage of the value of their deposits in the form of money to ensure that their obligations are fulfilled.
- Granting various advances and loans and opening current accounts.
- Dealing in various securities represented by stocks and bonds through buying and selling operations.
- Providing letters of guarantee to customers.
- Financing foreign commercial businesses by issuing credit letters.

Commercial banks perform significant economic functions as financial intermediaries and a set of financial and banking services. Therefore, they play an essential role in the operation of other economic activities, as the efficiency of commercial banks affects economic growth. However, weak banking performance leads to financial crises. Thus, countries that have an efficient banking sector are more able to withstand economic problems, and as a result, it contributes to the reliability and stability of the financial system. This is because the relationship between the banking sector and the economy is mutual, so any factors in the economic environment affect the profitability and performance of commercial banks, and a group of internal and external determinants affecting the performance of commercial banks can be determined.

Applications of Corporate Governance in the Banking Sector

Commercial banks differ from other institutions in the degree of importance of governance because of the nature of their private business as financial intermediaries. As the bankruptcy of banks does not affect customers, shareholders, employees, and lenders only, it affects other banks' performance because there is a relationship between them (Nastase & Unchiasu, 2013). Furthermore, applying sound governance principles helps banks achieve a set of advantages (Benguetib & Gasmi, 2016). The most important of which are as follows:

a) Reducing the administrative and financial corruption risks that face banks.
b) Increasing the level of banking performance, which contributes to increasing the country's economic growth and development.
c) Ensuring the flow of capital by attracting domestic and foreign investments.
d) Increasing the accuracy, transparency, and reliability of financial reports that enhance investors' confidence in relying on them to make investments and other decisions.
e) Contributing to support sustainable development by transferring wealth to future generations, limiting the exploitation of influence and the use of information by stakeholders through monitoring bank managers and holding them accountable for all their actions, protecting investor rights, and encouraging them to invest (Ibrahim, 2015).
f) Improving operational performance and evaluating companies in the markets because they preserve the rights of local and foreign investors, protecting and encouraging them for long-term investments.

Importance of Transparency in the Commercial Banks

The importance of transparency in commercial banks emerges from the following:

- Transparency is increasing in administrative work. It is also making procedures and laws more clear. Moreover, the flow of information is made accessible and without obfuscation and ambiguity (Salama, Abu Amuna, Al Shobaki, & Abu-Naser, 2018).

- Adapting transparency criteria in the banks' dealings with investors and employees helps prevent financial and banking crises (Haddad, Sbeiti, & Qasim, 2017).
- Provision of appropriate, reliable, and timely information through published interim and annual reports by companies to related parties, especially investors, employees, and customers (Williams, 2005).
- The higher the level of transparency in the reports published by companies, the more is the increase in confidence of financial markets (Ahmad, Ibrahim, & Tuyon, 2017).

Financial institutions have become subject to increasing pressures from investors to increase the level of transparency in their published financial and non-financial reports on the effect of economic, social, and environmental activities on society and how they manage these effects. These reports may bear the title" Sustainability Reports," "Integrated Reports," "Social Reports," or "Environmental Reports."

These reports are considered the primary basis for measuring its sustainability and clarifying the relationship between its strategy and obligations in achieving a sustainable global economy. They also help stakeholders make investment decisions and others because they play a significant role in their success. Therefore, the need began towards triple reporting. This type of reporting integrates the company's environmental, economic, and social effects to prepare integrated reports. These reports are combined with financial statements to provide a comprehensive picture of the company.

Sustainability reports can be defined as Reports clarifying how companies deal with financial and non-financial facts related to the economic, social, and environmental dimensions and governance principles. The risks and opportunities associated with them that affect the income, value and future performance of the company" (Jubarah, 2018).

Furthermore, Seele (2016) identified the integrated reports as disclosing all financial and non - financial data through a consolidated statement that collects environmental, social, economic, and governance information. These types of knowledge contribute to comprehensive transparency and a range of benefits that enhance commercial businesses and sustainable development, achieve internal and external goals, and manage risks.

Moreover, Wahiba (2014) defined Corporate Social Responsibility Report (CSRR) as the reports published by companies. Therefore, the financial statements at the end of each fiscal year report all activities provided by the company related to social responsibility to rebuild trust between the company and society.

Consequently, the researchers believe that the commercial banks that have sustainable activities and disclose them through published reports under the environment they operate will contribute to achieving the disclosure principle, comprehensive transparency, and high quality of data. These aspects enhance the users' confidence in supporting their investment and other decisions and displaying the complete picture honestly and truthfully to protect their rights. Thus, these banks will be able to create a competitive advantage, increase their performance rates, increase the size of their markets, and gain more customers, which will positively reflect banks' life and long-term sustainability.

Banking Sustainability and Investors' Confidence

As one of the components of society, investors are affected by the circumstances and factors in the environment surrounding them. Indeed, the success of any investment decision requires investors to understand the psychological and financial aspects and the extent of their willingness to face the potential risks that affect the monetary market's performance as some of them become disappointed when the market performance decreases. But, in the case of a high understanding of the market, the investors' confidence by themselves increases, and their performance improves (Amagtome & Alnajjar, 2020). Adnan, Ahmad, and Al-Haija (2018) defines investors as one of the beneficiary parties of the economic unit who are interested in knowing the financial and non - financial information that will help them in making economic decisions about the profitability of the bank, its financial performance, the possibility of development and growth in the long-term." In addition, the financial and non - financial information included in the company's reports must be true, reliable, and accurate to reduce the uncertainties surrounding investors and increase their ability to predict the future status of the bank (Al-Wattar, Almagtome, & AL-Shafeay, 2019). Investors need to know the extent of the bank's ability to invest and compete in the financial market and increase its total value. Therefore, investors want to obtain the information derived from the published reports to predict the bank's future performance (Khaghaany, Kbelah, & Almagtome, 2019). In addition, the financial statements are considered the primary source of information supplied to investors that help them make different decisions, assess the bank's ability to use economic resources efficiently, and generate cash that enables the bank to continue in the long-term (Ali, Almagtome, & Hameedi, 2019).

The most important factors that attract investment to the financial market are investors' confidence and reassurance that their money is not lost due to deception or fraud. As a result, they look at the mechanisms adopted that should provide them the necessary protection to their money (Abu Hameedi, Al-Fatlawi, Ali, & Almagtome, 2021). The

Organization for Economic Co-operation and Development (OECD) states that investors' confidence is determined by the companies' commitment to invest the funds correctly. It will not be embezzled or misused by managers, significant investors, or members of the board of directors. Moreover, investors' money will be invested optimally and efficiently that considers their interests in the first place. This is regarded as one of the critical factors in emerging an efficient and developed financial market (OECD, 2004). Accordingly, the so-called moral investor has appeared, which considers all banking aspects represented by the social, economic, ethical, and environmental dimensions. These aspects represent sustainability dimensions that affect investment decisions. This means that investors prefer to direct their investments to companies that do not result in any social or environmental damage. At the same time, adequate returns are achieved on their investments (A.H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020) as investors seemed to consider the sustainability reports of the banks they wanted to invest in. A. Almagtome, Khaghaany, and Önce (2020) point out that the disclosure of sustainability reports achieves a set of benefits, including the following:

a. Maximizing cash and attracting capital.
b. Contributing to achieving and increasing transparency for the related parties.
c. Improving the bank's reputation and increasing the efficiency of its employees.
d. Improving administrative systems, encouraging innovations, and supporting the process of continuous improvement.

The researchers believe that banks' provision of environmental, social, and economic information and governance principles will enhance the efficiency of financial markets and reduce banking risks and the similarity of communication between management and stakeholders. In turn, this will be reflected in increasing investors' confidence in banks and helping investors make investment decisions and other decisions because they are the axis of operations and natural capital of the banks in the long term.

Role of the Sustainability Accounting Standards Board in Sustainability Reporting

Accounting standards for sustainability have emerged as a common language between financial institutions, investors, and the public. The purpose of these standards is to identify the financial performance of these institutions and demonstrate their contribution to preserving the environment and achieving economic, social, and institutional governance through financial and non-financial reports published by them. These reports are considered the main base through which these institutions reveal their value, strategies, and procedures for various social, economic, or environmental activities. They enhance transparency and trust and provide helpful information for managing the associated risks with sustainability. Although, there are many reporting initiatives such as Global Reporting Initiatives (GRI) and the Sustainability Accounting Standards Board (SASB) guidelines to report on sustainability aspects. But financial institutions have still been facing challenges in identifying the core aspects in sustainability reports and prioritizing the social, economic, and environmental dimensions according to the needs and desires of stakeholders. Therefore, the work of the SASB has been to develop this common language around the most fundamental issues about environmental, social, and governance through issuing a set of standards according to the industry sector, which makes it easier for banks and investors to identify the core aspects of sustainability dimensions to make financial and non-financial reports more reliable, credible, and comparable. These standards can also help in auditing these reports and improve the management of risks associated with sustainability. Thus they help users of those reports make investments and other decisions.

The researchers see that if commercial banks want to achieve sustainable economic performance, they must adopt methods and standards subject to accountability and transparency. The adoption of the SASB's standards, preparation of sustainability reports according to these standards, and disclosure of indicators related to economic, social, and environmental impacts and governance as part of the annual reports are considered a new start to work within the framework of transparency for financial institutions in general to enhance the confidence of investors and the public.

Hypotheses Development

The process of providing confidence to investors in commercial banks is considered one of the main factors for their continuity and success. The investors gain confidence from satisfying their needs and desires with complete information about their investments and knowledge of all the circumstances surrounding these investments, i.e., through necessary disclosure and achievement of transparency by commercial banks and the extent of their commitment to relevant standards and laws. Accordingly, the research relies on two main hypotheses, as follows:

The first hypothesis (H1): Employment of the sustainability accounting standard in the commercial banks listed on the ISE contributes to assisting investors in making rational decisions through improving disclosure and achieving transparency.

The second hypothesis (H2): Employment of the sustainability accounting standard in the commercial banks listed on the ISE contributes to helping investors make rational decisions by enhancing investors' confidence in financial reports.

Research Methodology

The Iraqi Middle-East Investment Bank (IMEIB) was chosen as a case study for the research. This bank is one of the Iraqi private commercial banks listed on the ISE. The main reasons for choosing this bank for the analysis were data availability, the large size of capital, and the commitment to report sustainability indicators according to SASB standards. The study obtained its data from the annual audited income statements and flat sheets of the IMEB (2015-2016). The Iraqi Middle East Investment Bank was founded on July 7, 1993, with a capital of 400 million Iraqi dinars. It was included on the ISE on August 7, 2004 .Its capital during the research period reached 7.5 billion Iraqi dinars. The commitment of commercial banks to report on sustainability is made according to the indicators of the five sustainability aspects of the SASB's standard, which have been clarified and used in these banks to measure the extent of their reporting. These aspects will be used according to the requirements of the sustainability accounting standard and the quantitative measures associated with it and employ them in a manner compatible with the commercial banks listed on the ISE to reach as accurate results as possible. These indicators include the following core sustainability aspects identified by the SASB:

a) Financial inclusion and absorptive capacity.
b) Customers' privacy and data security.
c) Administration of the legal and regulatory environment.
d) Systemic risk management.
e) Incorporating environmental, social, and governance risk factors into credit risk analysis.

These five aspects include a group of (18) sub-indicators. Each indicator represents one of the reporting requirements of banking sustainability aspects. These indicators will be employed for commercial banks to measure the extent of their reporting on information related to sustainability to improve disclosure, achieve transparency and enhance investors' confidence during the period (2015-2016).

Results

The five sustainability aspects which clarify the disclosed indicators and the non-disclosed indicators of the IMEIB during the research period are shown in Table (1). It should be mentioned that a score (0) means that the bank is not committed to disclosing the sustainability reporting requirement of the SASB standard. On the other hand, score

(1) indicates that the bank is dedicated to revealing the sustainability reporting requirement of the SASB standard for the uncovered needs and the contrary for the undisclosed conditions. Table (1) shows that each sustainability aspect has several indicators.

Table 1 Sustainability aspects with the Disclosed and the Non-disclosed Indicators of the Iraqi Middle East Investment Bank

Years				Details	
2016			2015		
Undisclosed requirements	Disclosed requirements	Undisclosed requirements	Disclosed requirements	Indicators for each aspect	Sustainability Aspects
1	0	1	0	1- The percentage of new accounts that banks keep and maintain for the first time of cardholders' accounts.	First: financial inclusion and absorptive capacity
1	0	1	0	2- The percentage of total local loans for the less service and more minor banking services business sector.	
0	1	0	1	3- Number of participants in the financial education initiative for customers who do not have banking services and less service.	
0	1	0	1	4- The percentage of loans to deposits from: a- Total local loans b- The more minor banking service business sector.	
0	1	0	1	5- Loan default rates from: a- Total local loans b- non-serviced and uncovered business sector.	
2	3	2	3	(5) Indicators	Total
1	0	1	0	1-Number of data security breaches and the percentage that include recognized personal information for customers.	Second: Privacy of customers and data security
0	1	0	1	2- Discussion of management policy to identify and address the high effects of data security.	
1	1	1	1	(2) Indicators	Total
0	1	0	1	1- Fines amounts of legal, regulatory, and adjustments related to organizing the financial sector and the percentage is resulting in the reporting on violations.	Third: Management of legal and regulatory environment
1	0	1	0	2- Number of inquiries and complaints or issues received from complaints and legal office through an internal monitoring system or a control system causing them	
1	1	1	1	(2) Indicators	Total
0	1	0	1	1- (Pressure test results under contrary economic scenarios included actual and planned measurements) These are: a- loan losses b- losses, revenues, and net income before tax c- Ratio of joint-stock capital from the first level d- Ratio of capital from the first level e- Capital ratio based total risk f- Financial leverage ratio from the first level	Fourth: Systematic risk management
0	1	0	1	2- Basil III covered liquidity ratio	
0	1	0	1	3- Discovered net credit derivatives	
0	1	1	0	4- Third level assets a- Total value b- Total assets percentage	
1	0	1	0	5- Deviation and flatness of trading revenues	
1	4	2	3	(5) Indicators	Total
1	0	1	0	1- Discussion of how to integrate environmental, social factors and governance (ESG) in the lending process	Fifth: Integrating environmental, social risk factors and management in analyzing credit risks
0	1	0	1	2- Management discussion of credit risks of loans portfolio that faces climate change, natural resources constraints, affairs related to human rights or other things of comprehensive aspects of sustainability	
0	1	0	1	3- The amounts and percentages of loans for projects with the following functions: a- Integrating ESG factors b- Loans or financing under the name of sustainability c- Sorting (eliminating, integrating, or measuring) d- Impact or societal financing	
0	1	0	1	4- Total loans for companies in the following industrial sectors: Energy/ Oil and Gas, materials/ Basic materials, industries, and public utilities	
1	3	1	3	(4) Indicators	Total
6	12	7	11	(18) Indicators	Grand total

The following formula can illustrate the calculation of the disclosure level of each sustainability aspect:

Disclosure level of each sustainability aspect = Requirements disclosed / Total requirements × % 100

The first aspect of financial inclusion and absorptive capacity contains five measures or indicators. They are measured either quantitatively or through discussion and analysis with management. The following information was obtained from the IMEIB for the year (2016):

- Disclosed quantitative measures: (3) indicators.
- Undisclosed quantitative measures: (2) indicators.

A percentage for each disclosed indicator is given. Since the total hands under consideration are (18 forming 100%), so the portion of the three disclosed indicators is calculated according to the following equation:

Percentage of financial inclusion and absorptive capacity information = (Disclosed quantitative measures / Total measures) × 100

Rate of financial inclusion and permeable capacity information for the IMEIB for the year (2016) = (3/18) × 100 = 16.667

Similarly, the disclosure percentage for each sustainability aspect can be calculated using the previous equation according to the SASB. Table (2) shows the reporting rates on information related to sustainability aspects for the IMEIB during the period (2015-2016).

Table 2 Percentages for reporting on information related to sustainability aspects for the IMEIB for the period (2015-2016)

Sustainability aspects	2015	2016
First: Financial inclusion and absorptive capacity	16.666%	16.666%
Second: Customer privacy and data security	5.555%	5.555%
Third: Managing the legal and regulatory environment	5.555%	5.555%
Fourth: Managing systemic risks	16.666%	22.222%
Fifth: Integrating environmental, social, and governance risk factors into credit risk analysis	16.666%	16.666%
The total sum of ratios	61.108%	66.664%

The results are shown in Table (2) indicated that the degree of reporting on information related to sustainability aspects according to the year 2015 standard amounted to 61.11%, which was an average percentage. Also, the reporting percentage for 2016 was more, as it reached 66.66 %. This represented the second-highest percentage called by the IMEIB compared to other banks. This result was due to the high degree of reporting on the indicators of the fourth axis related to managing systemic risks by 22.22%.

To conclude about the research hypotheses, the employment of the sustainability accounting standard in the commercial banks listed on the ISE contributed, to some extent, to help investors make rational decisions through improving disclosure, achieving transparency, and enhancing investor confidence in financial reports.

Conclusions and Discussion

This article aims to explore the importance of sustainability reporting for decision-making processes. The findings indicate that compliance with sustainability accounting standards by the commercial banks listed on the ISE makes it easier to know the indicators related to sustainability aspects by management, investors, or the public because the standards issued by the SASB are specific to the bars each industry. They are not generally as is the case in other initiatives such as the GRI's indicators. Some commercial banks comply with the sustainability reporting through their commitment to international laws, instructions, and standards and the local ones issued by the Central Bank of Iraq for their sustainability, continuity, and to maximize their income and not achieve development in general. Some banks integrate their regular activities with social, economic, and environmental goals to achieve sustainable development, social welfare, economic development, and environmental protection. For example, the voluntary initiatives currently in place by the Iraqi Banks Association, that was called "Baghdad Shine."

Reporting sustainability aspects by commercial banks to work in transparency by displaying financial and non-financial information in published annual reports and showing their contribution to protecting the environment and achieving social and economic well-being, which helps them enhance investor and community confidence. The results achieved to make a comprehensive classification for the banking system and under a unified approach regarding reporting on sustainability is possible. Banks achieving the highest level of disclosure are considered the best ones. They are also considered sound in most respects regarding the ability to face risks and good management. While banks are achieving an average level of disclosure, they generally face some weaknesses. However, banks achieving the lowest level of exposure indicate severe and essential problems that require exceptional control over them.

Therefore, the findings of this article necessitate:

a) Laws and instructions binding on commercial banks should be issued to improve disclosure and transparency, enhancing investors' confidence and the need for commercial banks listed on the ISE to adhere to the application of the sustainability accounting standard and its related indicators.
b) Investors and employees in the commercial banks should be awakened and educated by arranging training courses and workshops related to sustainable development between boards of directors and academics to protect the environment and achieve social and economic well-being.
c) Attention should be paid to banking sustainability because it is a social matter that creates the economic community of any country by applying sustainability accounting standards to improve disclosure, achieve transparency and benefit from it by investors and the public in making investment and other decisions as well as attracting capital that ensures the continuity and survival of banks.
d) The commercial banks listed on the ISE should be obliged by the Central Bank of Iraq when lending money to beneficiary parties, whether companies or individuals, to know the extent of the effect of these funds on society and the environment. These banks should also be required to publish a report on sustainability within the annual reports to indicate the extent of contribution to achieving economic and social welfare and environmental protection.
e) The commercial banks should be obliged by the concerned authorities regulating the work of the banking sector, whether the Iraqi Central Bank or the ISE, to expand disclosure and transparency in a manner compatible with the requirements of global markets.
f) The awareness and education of the commercial banks' employees should be raised on preparing banking sustainability reports and expanding the audit of these reports by supervisory authorities to ensure the commitment of commercial banks in the application of the sustainability accounting standards and issue laws and binding instructions for that, which in turn enhance investors' confidence.

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