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تأثير مؤشرات الافصاح عن الاستدامة لمحاور EESG/ISX في تحسين الا داء المالي لعينة من المصارف المدرجة في سوق العراق للاوراق المالية

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المستخلص

يهدف البحث الى التعرف على مستوى الافصاح عن الاستدامة بمحاورها الاقتصادية والبيئية والاجتماعية والعامة وفق معايير المبادرة العالمية لاعداد التقارير (GRI) وبيان مستوى تاثيره في الاداء المالي للمصارف وفي كل من العائد والمخاطرة . وينطلق البحث من تزايد الحاجة الى الافصاح عن المعلومات غير المالية الى جانب المالية وتعزيز الشفافية وتحسين قدرة اصحاب المصلحة على تقويم الاداء واتخاذ القرارات المناسبة . اعتمد البحث المنهج الوصفي التحليلي من خلال تحليل محتوى التقارير المالية للمصارف عينة البحث وقد تم اختيار مصرف الخليج التجاري والمصرف التجاري العراقي باعتبارهما قدما مبادرات تتعلق بالاستدامة وتوافر البيانات المفصح عنها . استخدم البحث قائمة مؤشرات المعايير العالمية بالاضافة الى مؤشرات العائد والمخاطرة وتم الاستعانة بالاساليب الاحصائية المتاسبة واختبار علاقات الارتباط والتاثير . توصل البحث الى مجموعة استنتاجات اهمها ان الافصاح عن مؤشرات الاستدامة يؤثر ايجابا في زيادة العائد وتخفيض المخاطرة وتحسين الاداء المالي .

الكلمات المفتاحية : الافصاح عن الاستدامة ، معايير الابلاغ العالمية (GRI) ، الاداء المالي

The impact of sustainability disclosure indicators for the EESG/ISX on of a sample of banks listed on the improving the financial performance Iraq Stock Exchange

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Abstract

This research aims to identify the level of sustainability disclosure across its economic, environmental, social, and public dimensions, according to the Global Reporting Initiative (GRI) standards, and to determine its impact on banks' financial performance, specifically on returns and risk. The research stems from the increasing need to disclose non-financial information alongside financial information, thereby enhancing transparency and improving

stakeholders' ability to evaluate performance and make informed decisions. The research employed a descriptive-analytical approach, analyzing the financial reports of the banks in the sample. Gulf Commercial Bank and the Commercial Bank of Iraq were selected because they had implemented sustainability initiatives and provided readily available data. The research utilized a list of global standards indicators, along with return and risk indicators, and employed appropriate statistical methods to test correlations and impact relationships. The research concluded that disclosing sustainability indicators positively impacts increased returns, reduced risk, and improved financial performance.
Keywords: Sustainability disclosure, Global Reporting Standards (GRI), financial performance

Introduction

In recent years many businesses performing well from an economic perspective have faced criticism for their poor social or environmental performance. This has placed pressure on these companies and challenged them to give greater attention to environmental and social issues. It is now essential to consider environmental and social dimensions when formulating an economic unit's strategy , in addition to economic dimensions. These development have prompted many companies worldwide to adopt sustainability programs, coinciding with a growing demand from stakeholders to understand a corporation’s efforts and activities toward achieving sustainability. Despite the increasing importance and widespread adoption of sustainability reports in many countries, there is significant variation among economic units globally in the form and content of sustainability disclosures. This is because disclosure is optional in most countries, and there have been numerous attempts to establish a framework for sustainability disclosure, most notably the Global Standards Guidelines.

The banking sector is a vital sector that supports economic activity. Though the environmental impact of banks may be less than that of other sectors , their indirect effects are very significant due to their support for various activities and projects. Banks also bear economic and social responsibilities in providing financial services, protecting customer rights, developing the community, and managing the economic , social and environmental risks linked with their investment and financing decisions. therefore, this research aims to identify the impact of disclosing economic ,

environmental and social and universal sustainability indicators , according to international standards on improving the financial performance of banks by measuring different relationships and the level of influence on both return and risk.

1. Methodology

1. 1.The research problem

With the global trend towards sustainability the demand and trend towards transparency and disclosure of non-financial aspects such as environmental and social and economic dimensions has increased , and traditional financial reporting standards may not be sufficient to meet this increasing demand for comprehensive disclosure , thus the need here comes to study the relationship between the implementation of advanced financial reporting standards , such as international financial reporting standards , and disclosure of corporate sustainability. In addition to the growing global interest in sustainability , which has led to a growing demand for companies and the importance of disclosing their economic , social , environmental and public impacts in accordance with international reporting standards? Hence , this disclosure has become not a voluntary practice to improve the image of companies and banks , but rather a means to enhance transparency , reduce information asymmetry and support the confidence of investors and stakeholders, and this reflects positively on the efficiency of financial decisions and levels of return and risk. In spite of this the level of disclosure varies between banks as most banks care about economic indicators rather than others. In addition there is some ambiguity about the importance of these disclosures and whether they contribute to improving financial performance or are they considered additional burdens and costs. This ambiguity increases in the Iraqi banking environment. Therefore the research problem is the existence of an applied and knowledge gap related to the level of disclosure in banks and the extent to which it reflects on improving their financial performance.

1.2. Research Importance

The significance and importance of this study comes from nature of the topics that address a main problem. with increasing and growing interest in disclosing sustainability related topics and indicators, as this is considered a key approach to enhancing honesty and improving the balance between financial and economic social and environmental objectives. Usability the research contributes to enriching accounting and financial literature on sustainability and financial performance and places the basics for interpreting the nature of the relationship between them. In practical terms , it helps banks support their managerial and investment decisions, improve their disclosure practices , and direct resources towards sustainability activities that have the greatest impact on financial performance. Furthermore, it assists investors and stakeholders in evaluating banks' financial performance by identifying financial and non-financial information and assessing its impact on improving returns and reducing risks.

1.3.Research Objectives

1. The research aims to recognize the effect of indicators of sustainability disclosure in its economic, environmental , social and universal in refining the financial performance of banks. It has a set of sub-objectives :
2. Identifying the conceptual framework of sustainability and financial performance
3. Measuring the level of sustainability disclosure in its economic and environmental and social, and universal dimensions axes in accordance with international reporting standards
4. Measuring the level of financial performance of banks and the levels of return and risk .
5. Analyzing the impact of sustainability standards to improve financial performance and increase returns and reduce risk

1.4. Research Hypotheses

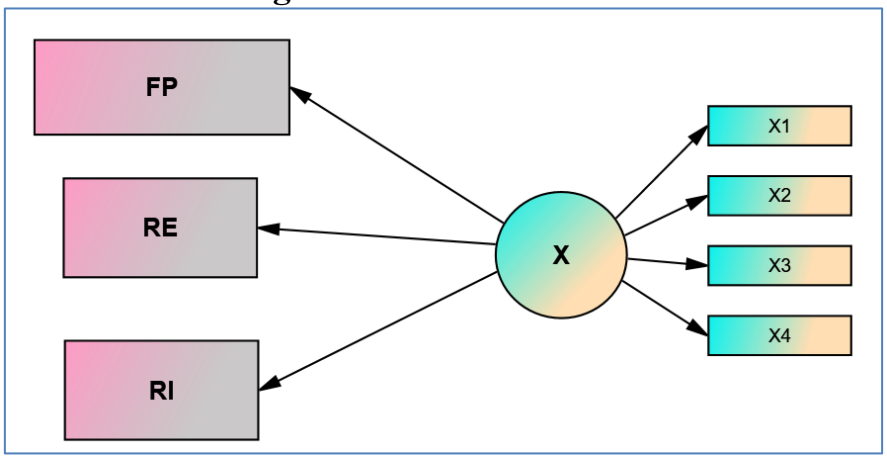
- H1: “There is a statistically significant correlation between sustainability indicators and financial performance”.

- H2: “There is a statistically significant relationship between sustainability indicators and financial performance”.

1.5. Research Model

The study model was formulated according to study variables and indicators with two main variables Sustainability indicators were adopted as independent variable (sustainability) which include economic, environmental, social, and universal standards and the dependent variable (financial performance) and sub-indicators (return and risk). Therefore the hypothetical model is at the macro and factor level as shown in Figure 1 >

Figure 1. Research Model



Source : Self Prepared

1.6. Research Measures

The study based on the data and reports published by the “Iraq Stock Exchange”. Accounting disclosures related to sustainability were selected based on the available quantitative data. In addition, a group of indicators was chosen to represent the financial disclosure of sustainability according to global standards (GRI) in addition to an analysis of financial performance and return and risk .The standard score was standardized to ensure the series were equal and tests were conducted and data extracted to arrive at an equal data series. The number of equal observations for each variable was (36) observations.

1.7. Population and sample

The study population was the banks listed on the Iraq market for Stock Exchange . Two banks were selected from among them the Gulf Commercial Bank and the Iraqi

Commercial Bank. This selection was made for reasons including the availability of data and reports in addition to the fact that these banks took the initiative to enhance their reports with more transparency related to sustainability standards and indicators.

2. Literature Review

2.1. The Concept of Sustainability

Nowadays, sustainability has become an important topic its progress primarily linked to environmental issues .the first term back to 1987 formulated as follows : "Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs ." While this concept encompasses not only the environmental effect also economics and socials " and its became as a revelation of sustainability which compatible with many activities , the main issue of this topic is the abstraction and unclear definitions associated with sustainable development. Though many researchers have examined sustainability it remains an important concern for business organizations and their leaders . This is because the ability of establishments to sustain their activities is necessary for their continuity survival and future development (Li et al., 2023 : 4). despite the main issue represent ongoing debate about conflicting ideas regarding the concept of "sustainability" that need a balance between the past and the present and future on the other hand since sustainability need to optimal investment of the resources without effect other capabilities and does not affect future performance. . (Paillé & Renwick, 2020: 3). Accordingly the term sustainability refers to an integrated developmental and management concept founded on meeting the needs of the present while preserving the resources and capabilities required by future generations. This is achieved by balancing economic and social and environmental dimensions , and not treating any of them in isolation (Bobylev, 2023, p. 4) . At the level of business organizations sustainability expresses an organization's ability to continue operating and create long-term value by integrating economic environmental social and governance considerations into its strategies decisions, and operational processes . Sustainability is also linked to the actual and potential impacts of an organizations activities and business relationships on the economy the environment

and individuals, including impacts related to human rights whether these impacts are positive or negative direct or indirect short term or long term . (GRI, 2021a, pp. 7–8).Sustainability is a concept related to biodiversity and natural resources, ensuring their survival for as long as possible. (cardona ,2022 :2). And sustainability includes integratons between factors like environment and economic and social. Which helps the corporation operate its activities smoothly maintain its importance, and reassure stakeholders about its ability to survive and compete. Sustainability supports the corporation in performing its economic environmental and social responsibilities effectively while ensuring and improving its future performance. (Epstein ,2018 :2) . in this regard the principles of governance the companies should balances the interests of various stakeholders and the importance of the generation future. (Al-Jajjawi and Al-Obaidi, 2018:4) . In order to enhance the importance of organizations it should take in account the sustainable issues and identify weaknesses and threats as a result of regulatory, competitive and societal pressures and work to address them.

2.2. Sustainability Goals

The goals of sustainability are as follows:

A: Identifying Work Motivators: This involves recognizing work pressures and the drivers that lead to the organization becoming more sustainable. These include:

The ability to improve the bottom line of work by increasing efficiency.

Commitment and risk management.

Adherence to the latest organizational changes.

B: Vision: The vision statement clarifies the organization's future goals. A good vision statement should be short-term, clear, realistic in its outcomes, and measurable. It can then be used to formulate the organization's sustainability policy. Examples include:

Reducing emissions of gases that cause environmental damage.

Minimizing the impact of using environmental pollutants.

Disposing of waste through recycling.

Strengthening relationships with partners in all company operations.

C: Specific Goals:

Sustainability goals are more specific than general organizational goals because they include numbers and dates. For example: (Reducing resource consumption by 80%, employing 95% of staff from the same region where the organization operates, using 100% local raw materials)(David, 2018 :2).

D: Current situation:

In order for To achieve its goals, the organization, it needs a good understanding of the current situation of the business and the adoption of a sustainability approach, which is a tool for the process of (self-assessment, setting standards, and raising awareness about what sustainability means in the context of business) by knowing the amount of water and energy consumed (Taee. 2014 :5).

E. Contributing to the development of appropriate solutions to economic, social, and environmental problems.. (Hasib, 2017: 6).

2.3. Sustainability Standards and Components

The Brundtland Report focuses on the close relationship between economic and social development and environmental protection . It demonstrates that a sustainable development strategy could not be implemented without considering the requirements of three dimensions (economic , social , and environmental), each of which encompasses a number of interconnected activities, as follows.(Santos, 2020: 4) (Al-Jagawi, 2018, 31):

1. The Economic Indicator

The economic indicator refers to improving the population's standard of living and meeting their needs for goods and services. It also focuses on the present and future effects of economic activities on both the economy and the environment.(Al-Ardawi, 2018:30) . Economic sustainability is achieved by providing the valuable resources necessary for future generations and applying the principle of fair and equitable intergenerational distribution as much as possible through the optimal use of scarce resources (Mania and Rieber, 2019: 139). Economic sustainability can be achieved by improving resource management and efficiency, including developing effective competitive management and optimizing the use of human resources (Sanchez et al., 2020: 6).

Senior administration's commitment to economic sustainability involves creating financial value by the increasing revenue and reducing costs and creating job opportunities to promote human resource sustainability. This is directly and indirectly linked to sustainable economic well being and individual satisfaction levels (Awad & Al-Ibrahimi, 2020, p. 52).

2.The Environmental Indicator

The environmental indicator addresses the relationship between the environment and development by establishing the foundations upon which the boundaries are based and not exceeded and by preserving natural resources and making optimal use on a sustainable basis (Al-Ardawi, 2018: 31). This type of sustainability creates a safe environment and seeks to reduce environmental impacts and restore environmental damage. Therefore moving towards sustainable development is required to solve environmental problems. By this point the companies need to consider about a set of protocols and guidelines for the methodical administration and ongoing enhancement of environmental performance.(Vesal et al, 2020: 3). This type of sustainability is linked to several significant issues in implementing environmentel sustainability for human resources which namely the green performance framework . This approach can be used to identify the number of activities that protect the environment. Some organizations have integrated environmental and social activities into a single environmental protection initiative. Other organizations utilize teamwork as a methodology for organizing projects and effectively analyzing environmental issues. Because environmental management methods necessitate a certain set of professions and abilities, organizations build these jobs depending on the environmental aspects of the organization. (Roy et al, 2020:14).

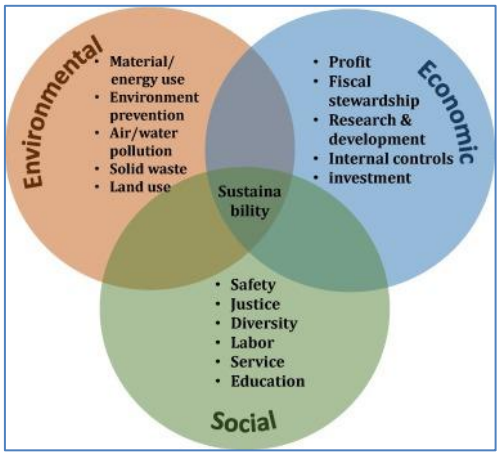
3. Social Indicator

Social sustainability is concerned with people’s values, religious traditions and living conditions and their relationships with one another and with organizations . It also reflects the corporation’s influence on different aspects of the social environment in which it operates. Consequently corporations should explain whether their activities have positive or negative social effects and disclose this information in their

sustainability reports. (Lisene, 2015: 23). This type of sustainability refers to preserving and improving the well-being of current and future generations creating a harmonious living environment, and enhancing the quality of life. It can also bridge the social gap and address inequality (Tooranloo et al., 2017:1257). The ability to preserve the beneficial aspects of the physical and social environment is known as environmental sustainability . This entails sustaining a quality of life marked by renewal assuring the continuation of civilization despite the depletion of nonrenewable resources and protecting human life and the lives of other living things by conserving air, water, and the atmosphere. (Mohsen, 2017:26).

These three overlapping dimensions are used when measuring sustainability and this complex overlap can be summarized as follows:

Figure2. Sustainability Dimensions



Source : (Santos, 2020: 4)

2.4.Sustainability Disclosure According To GRI Standards

The World Commission on Environment and Development set ambitious sustainability goals under a unified slogan : developing the needs of the present without compromising the needs of future generations , focusing on the contribution of all institutions and organizations to creating positive or negative impacts. The (GRI) standard which is called for by the Global Reporting Initiative standards has emerged to provide these reports on economic environmental social and governance impacts and positive or negative contributions to achieving sustainable development (GRI101, 2016) The GRI content index makes reported information traceable and increases its

credibility and transparency. These standards are used as an interconnected group to help the company prepare sustainability reports that are based on reporting principles and focus on material topics. They consist of general and comprehensive standards and standards for specific topics as shown in Table (1) and Figure (3). The structure of the standards can be divided into four groups that can be explained as follows.

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Figure (3) Global Initiative for Sustainability Disclosure (GRI) Standards



Source : GRI, 2016

Table 1. Global Initiative for Sustainability Disclosure (GRI) Standards

SUSTAINABILITY REPORT DISCLOSURES	GRI STANDARDS	
GENERAL DISCLOSURES (GRI UNIVERSAL STANDARDS)		
The Organization and Its Reporting Practices	GRI 2	General Disclosures 2021
Activities and Workers	GRI 2	General Disclosures 2021
Governance and Ethics	GRI 2	General Disclosures 2021
Strategies, Policies, and Practices	GRI 2	General Disclosures 2021
Stakeholder Engagement	GRI 2	General Disclosures 2021
Material Topic	GRI 3	Material Topics 2021
TOPIC SPECIFIC DISCLOSURES (GRI TOPIC STANDARDS)		
Socio-Economic Inclusion and Indirect Economic Impacts	GRI 203	Indirect Economic Impacts 2016
Climate Change and GHG Emissions	GRI 305	Emissions 2016
Energy Management	GRI 302	Energy 2016
Water Management	GRI 303	Water and Effluents 2018

Biodiversity	GRI 304	Biodiversity 2016
Packaging and Waste Management	GRI 306	Waste 2020
Sustainable and Responsible Sourcing	GRI 414	Supplier Social Assessment 2016
Labor Practices and People Development	GRI 401	Employment 2016
	GRI 404	Training and Education 2016
	GRI 405	Diversity and Equal Opportunity 2016
	GRI 406	Non-discrimination 2016
	GRI 407	Freedom of Association and Collective Bargaining 2016
	GRI 408	Child Labor 2016
	GRI 409	Forced or Compulsory Labor 2016
Employee Health & Safety and Well-bein	GRI 403	Occupational Health and Safety 2018
Community Development	GRI 413	Local Communities 2016
Product Safety, Quality, and Halal & Nutritional Value	GRI 416	Customer Health and Safety 2016
Responsible Marketing and Communication	GRI 417	Marketing and Labeling 2016

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information		Sustainability Report Disclosures	GRI Standards
IFRS S1	Governance: the governance body(s)	The Organization and Its Reporting Practices: Organizational details	GRI 2: General Disclosures 2021
IFRS S1	Strategy: business model and value chain	Activities and Workers: Activities, value chain, and other business relationships	GRI 2: General Disclosures 2021
IFRS S1	Governance: management's role	Governance and Ethics: Governance structure and composition	GRI 2: General Disclosures 2021
IFRS S1	Strategy: sustainability-related risks and opportunities	Strategies, Policies, and Practices: Processes to remediate negative impacts & Mechanisms for seeking advice and raising concerns	GRI 2: General Disclosures 2021
IFRS S1	Strategy: strategy and decision-making	Sustainability Framework Strategy	GRI 2: General Disclosures 2021
IFRS S1	Strategy: strategy and decision-making	Material Topic: Management of material topics	GRI 3: Material Topics 2021
IFRS S1	Strategy: resilience	Management of material topics: Resilience and Innovation	GRI 3: Material Topics 2021
IFRS S1	Strategy: financial position, financial performance and cash flows		
IFRS S1	Risk Management: entity's processes to identify, assess, prioritize and monitor sustainability-related risks and opportunities	Risk Management System	GRI 2: General Disclosures 2021
IFRS S1	Risk Management: entity's overall risk profile and its overall risk management process.	Integrating Risk Management into Sustainability	GRI 2: General Disclosures 2021
IFRS S1	Metrics & Target: entity's performance in relation to its sustainability-related risks and	2023 Performance Progress	GRI 3: Material Topics 2021

Source :Lulu, 2024 :8

2.5. Financial Performance

The concept of performance is business organizations because it provides a complete and comprehensive picture of the corporation's actions and operations within both the internal and external environments. While numerous studies have addressed the topic of performance, they have not reached a consensus on a single definition . (Al-Aghawat, 2015: 40) Financial performance represents the narrower concept of corporation performance focusing on the use of financial indicators to measure the extent to which objectives are achieved. Financial performance reflects the overall performance of companies as it is the primary support for the various activities they undertake. It contributes to the pooling of financial resources and provides the company with investment opportunities in different performance areas, which helps meet the needs of stakeholders and achieve their goals. (Lubna & Nihad, 2020: 11). Financial performance is a top priority for companies, and one of the most important goals of companies is to enhance and improve their financial performance and the importance of measuring it, which is the process of measuring the results of the corporation’s policies and operations in terms of money. It also displays the company’s ability to manage its operations efficiently and effectively to be able to achieve profits and reflects the ability to work efficiently and profitably, survive, grow, and respond to environmental opportunities and threats. Managers also use financial performance to evaluate and compare the company with its competitors in the same year or to compare the corporation’s performance with its performance in different years to see if the company is improving or is suffering from deterioration in

Its performance which in turn enables one to know whether the company needs improvements or correction of its weak points. (Dhiyab, 2022: 760).

3.Results

3.1.Descriptive Analysis of Indicators

A number of standards and indicators were adopted for sustainability disclosure. These standards included 17 main indicators across four axes: the economic axis, which comprises sub-indicators calculated to cover this axis “economic performance , market presence , and indirect economic impacts ” the environmental standard which includes two main indicators “materials and energy” and the social indicators which includes two main sub indicators “training and education”. The final standard within this approach is the universal indicators which includes a set of important indicators related to the corporation's track record and its administrative components. literature indicate that Iraq does not have extensive disclosure of these indicators (Mohamaad, 2025: 11) . Consequently because the sample size is small. The level of disclosure is calculated by dividing the number of disclosed indicators by the total number of disclosed indicators (Al-Jajawi & Al-Khafaji, 2020: 159). A sample of two companies within the banking sector was analyzed for the period (2023-2025), which had high levels in sustainability indicators, with information available about them within the stock market reports on sustainability indicators, as follows:

1) Gulf Commercial Bank:

The results in Table (2) indicate the indicators that were disclosed for the period 2023-2025 . The disclosure rate were 70.59% according to the GRI methodology while the non-disclosure rate was 29.41%. Disclosures for the economic indicator

(GRI 200 economic) during the study period was for two indicators representing 50% of the total four indicators. The environmental indicator (GRI 300 environment) refer to two nondisclosures during the study period . Likewise the social indicator (GRI 400 social) refer to no disclosures during the study period universal indicators were good for the universal indicators (GRI 100 universal) with 10 disclosures and was 100% during the study period. This indicates that the disclosure rate at Gulf Bank is high and good .

Table 2. Sustainability indicators for Gulf Commercial Bank for the period (2023-2025)

Topics and Items	Indicators	Years					
		2023		2024		2025	
		Disclosure	Non-disclosure	Disclosure	Non-disclosure	Disclosure	Non-disclosure
Economic							
Economic Performance	Direct economic value generated and distributed	1	0	1	0	1	0
Market presence	Percentage of senior management appointed from the local community	0	1	0	1	0	1
Market presence	Definitions used for senior management, local, and "location of critical operations"	0	1	0	1	0	1
indirect economic effects	Development of infrastructure investments and supported services	1	0	1	0	1	0
	Total	2	2	2	2	2	2
	Ratio	50%	50%	50%	50%	50%	50%
Environment							
Materials	Materials used are classified either by weight or volume..	0	1	0	1	0	1
Energy	Energy consumption within the company.	0	1	0	1	0	1
	Total	0	2	0	2	0	2
	Ratio	0%	100%	0%	100%	0%	100%
Social							
Training and Education	Programs to enhance employee skills and programs to assist in managing the transition phase	0	1	0	1	0	1
	Total						
	Ratio	0%	100%	0%	100%	0%	100%
universal							
	Company Records	1	0	1	0	1	0
	Company Activities	1	0	1	0	1	0
	Business Relationships, Main Products and Services	1	0	1	0	1	0

	Location of Company Headquarters	1	0	1	0	1	0
	Ownership and Legal Structure	1	0	1	0	1	0
	Company Scope	1	0	1	0	1	0
	Report Content Definition and Scope	1	0	1	0	1	0
	List of Material Subjects	1	0	1	0	1	0
	Report Period	1	0	1	0	1	0
	Date of Most Recent Report	1	0	1	0	1	0
	Total	10	0	10	0	10	0
	Ratio	100%	0%	100%	0%	100%	0%
Total	17	12	5	12	5	12	5
Ratio		70.59%	29.41%	70.59%	29.41%	70.59%	29.41%

Source: Iraq Stock Exchange

2) Iraqi Commercial Bank:

The results in Table (3) indicate the indicators that were disclosed for the period 2023-2025 . The disclosure rate for 2023 was 58.82% according to the GRI methodology while the non-disclosure rate was 41.18% and For 2024 and 2025 the rates were equal, with a disclosure rate of (64.17%) compared to (35.29%) .. Disclosures for the economic indicator (GRI 200 economic) during the study period was for two indicators representing 50% of the total four indicators. The environmental indicator (GRI 300 environment) refers to two non-disclosures during the study period . Likewise the social indicator (GRI 400 social) refer to no disclosures during the study period universal indicators were good for the universal indicators (GRI 100 universal) with 9 disclosures and was 80% during the study period. This indicates that the disclosure rate at Iraqi Bank is high and good .

Table 3. Sustainability indicators for the Commercial Bank of Iraq for the period (2023-2025)

Topics and Items	Indicators	Years					
		2023		2024		2025	
		Disclosure	Non-disclosure	Disclosure	Non-disclosure	Disclosure	Non-disclosure
Economic							
Economic Performance	Direct economic value generated and distributed	1	0	1	0	1	0
Market presence	Percentage of senior management appointed from the local community	0	1	0	1	0	1
Market presence	Definitions used for senior management, local, and "location of critical operations"	0	1	0	1	0	1
indirect economic effects	Development of infrastructure investments and supported services	1	0	1	0	1	0
	Total	2	2	2	2	2	2
	Ratio	50%	50%	50%	50%	50%	50%
Environment							
Materials	Materials used are classified either by weight or volume..	0	1	0	1	0	1
Energy	Energy consumption within the company.	0	1	0	1	0	1
	Total	0	2	0	2	0	2
	Ratio	0%	100%	0%	100%	0%	100%

Social							
Training and Education	Programs to enhance employee skills and programs to assist in managing the transition phase	0	1	0	1	0	1
	Total						
	Ratio	0%	100%	0%	100%	0%	100%
universal							
	Company Records	1	0	1	0	1	0
	Company Activities	1	0	1	0	1	0
	Business Relationships, Main Products and Services	1	0	1	0	1	0
	Location of Company Headquarters	1	0	1	0	1	0
	Ownership and Legal Structure	1	0	1	0	1	0
	Company Scope	0	1	1	0	1	0
	Report Content Definition and Scope	1	0	1	0	1	0
	List of Material Subjects	0	1	0	1	0	1
	Report Period	1	0	1	0	1	0
	Date of Most Recent Report	1	0	1	0	1	0
	Total	8	2	9	1	9	1
	Ratio	80%	20%	90%	10%	90%	10%
Total	17	10	7	11	6	11	6
Ratio		58.82%	41.18%	64.71%	35.29%	64.71%	35.29%

Source: Iraq Stock Exchange

3.2. Financial Performance Analysis

The results in Table 4 and Figure 4 indicate to the rate of return for the banks in the study sample for the period 2023-2025, and it was found that the general rate of return was (2.77%). The Commercial Bank of Iraq recorded the highest return of (5.10%), and the lowest was the rate of Al Khaleej Commercial Bank with a return of (0.44%). Gulf Bank also recorded a return of (0.96%) in 2023, then the return decreased to (0.33%) in 2024. It decreased to (0.03%) in 2025, while the Commercial Bank of Iraq recorded a return of (3.10%) in 2023, then the return rose to (7.16%) in 2024 and decreased to (5.05%) in 2025. From these results, it is clear that the Commercial Bank of Iraq recorded the higher return during the study period, which recorded a return higher than the general market average during the study period, and this indicates that it is more attractive from a return perspective. It is also clear from the results that there is an upward trend in the returns of the banking sector within the sample and this reflects an improvement in financial performance.

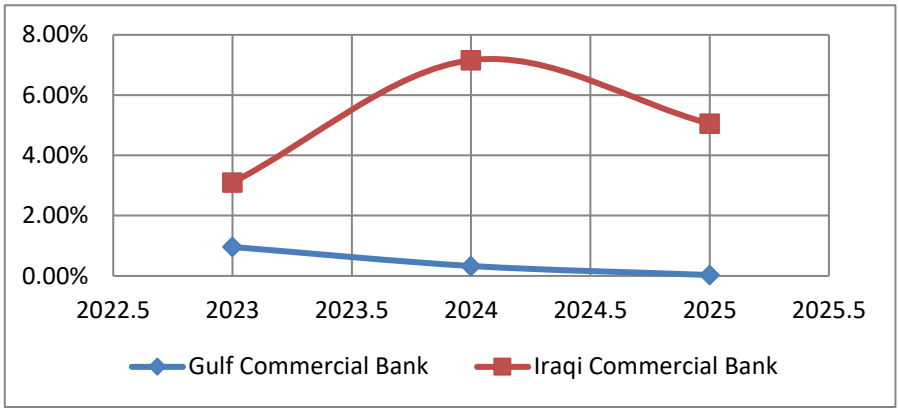
Regarding risk, variations were found in the risk levels of the banks within the study sample for the period 2023-2025. The overall risk rate was recorded as (2.33%). The overall rate in 2023 was (1.07%) , while it rose in 2024 to (3.41%) and decreased to (2.51%) in 2025. The Gulf Commercial Bank recorded the lowest risk at (0.39%), while the Iraqi Commercial Bank recorded a risk rate of (1.66%).

Table 4. Return and Risk Index for Banks for the period 2023-2025

Years	Gulf Commercial Bank	Iraqi Commercial Bank	Market return	Market risk
2023	0.96%	3.10%	2.031%	1.07%
2024	0.33%	7.16%	3.746%	3.41%
2025	0.03%	5.05%	2.540%	2.51%
Rate of return	0.44%	5.10%	2.77%	2.33%
Risk Rate	0.39%	1.66%	2.05%	

Source: Iraq Stock Exchange

Figure 4. Bank Return Rates for the period 2023-2025



Source: SPSS V.26 Results

3.3. **Testing the Correlation Hypotheses (H1)**

(H1) : "There is positive relationship between sustainability indicators and financial performance"

The results indicate a positive relationship between (sustainability indicators) and (financial performance) , the correlation is (0.650 **) and these results are significant according to the level of (p <0.05) also the relationship is significant with sub level for return and risk , On a dimensional level the relationships were acceptable as the coefficient are (0.644 **, 0.648 **, 0.650 **, 0.652 **) and these results are significant according to the level of (p <0.05) . These results support the hypothesis.

Table 5. Correlation Matrix

Correlations									
		X1	X2	X3	X4	X	Y1	Y2	Y
X1	R	1	.998**	.992**	.983**	.996**	.409	-.594**	.644**
	Sig.		.000	.000	.000	.000	.073	.006	.002
X2	R	.998**	1	.998**	.992**	1.000**	.408	-.595**	.648**
	Sig.	.000		.000	.000	.000	.074	.006	.002
X3	R	.992**	.998**	1	.998**	1.000**	.407	-.595**	.650**
	Sig.	.000	.000		.000	.000	.075	.006	.002
X4	R	.983**	.992**	.998**	1	.996**	.406	-.593**	.652**
	Sig.	.000	.000	.000		.000	.076	.006	.002
X	R	.996**	1.000**	1.000**	.996**	1	.409	-.596**	.650**
	Sig.	.000	.000	.000	.000		.074	.006	.002
**. "Correlation is significant at the 0.01 level (2-tailed)."									
*. "Correlation is significant at the 0.05 level (2-tailed)."									

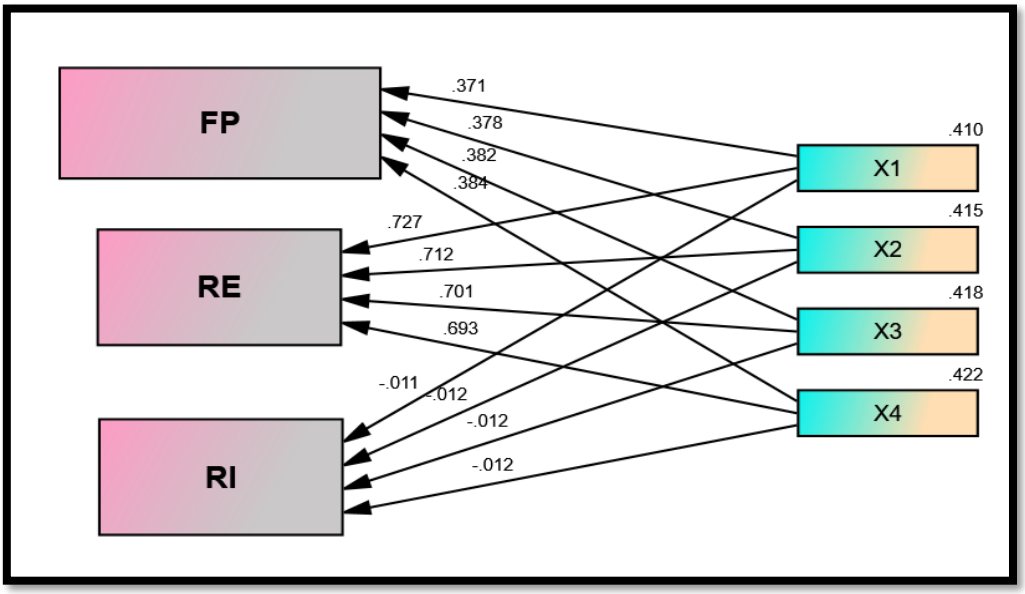
Source: SPSS V.26 Results

3.4. Testing the Effect Hypotheses (H2)

((H2) : "There is a positive effect of sustainability indicators on financial performance"

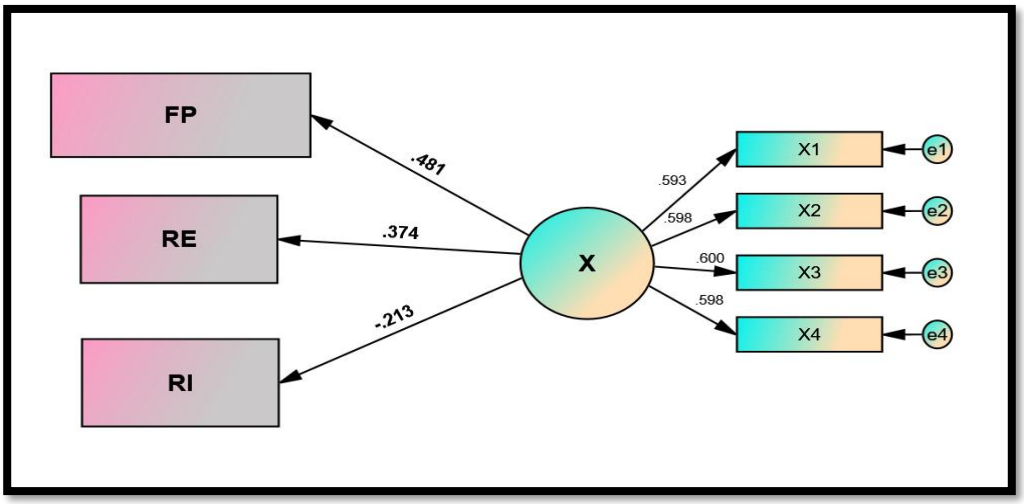
The results of the analysis in Figure (5), (6) and Table (6) indicate that "There is positive effect of sustainability indicators and financial performance" the effect is (0.481) and these results are significant according to the level of ($p < 0.05$) also it increases return with (0.374) and reducing risk with (0.213-) ,And "There is positive effect of economic indicators and financial performance" the effect is (0.371) also it increasing return with (0.727) and reducing risk with (0.011-) . Also "There is positive effect of environment indicators and financial performance" the effect is (0.378) and it increasing return with (0.712) and reducing risk with (0.012-) ,and "There is positive effect of social indicators and financial performance" the effect is (0.382) also it increasing return with (0.701) and reducing risk with (0.012-) ,Also, "There is positive effect of universal indicators and financial performance" the effect is (0.384) also it increasing return with (0.693) and reducing risk with (0.012-) . These results are statistically significant according to the level of ($p < 0.05$) these results prove the hypothesis support.

Figure 5. Model of the effect of Sustainability Reporting Standards and Financial Performance



Source: AMOS V.26 Results

Figure 6. Model of the effect of sustainability reporting standards and financial performance at the macro level



Source: AMOS V.26 Results

Table 6. Sustainability and financial performance reporting standards

	Return		Risk		Financial Performance	
Independent Variable	Effect	Sig.	Effect	Sig.	Effect	Sig.
Economic	.0727	0.000	.0011-	0.000	.0371	0.000
Environment	.0712	0.000	.0012-	0.000	.0378	0.000
Social	.0701	0.000	.0012-	0.000	.0382	0.000
Universal	.0693	0.000	.0012-	0.000	.0384	0.000
Sustainability standards	.0374	0.000	.0213-	0.000	.0481	0.000

Source: AMOS V.26 Results

4. Conclusions and Recommendations

4.1. Conclusions

1. The Gulf Commercial Bank's level of sustainability disclosure according to GRI was above average while it was average or below average for the Commercial Bank of Iraq.

2. The Iraqi Commercial Bank's return rate was better than Gulf Commercial Bank's while Gulf Commercial Bank's risk rate was the lowest.

3. The application of sustainability indicators contributed to increased returns and reduced risk for the banks in the sample which confirms the strategic direction supporting financial stability.

4.There is an impact of economic indicators on financial performance and they have contributed to calculating returns and reducing financial risks

5. Environmental indicators have affected financial performance positively and this indicates that rationalizing the use of resources and reducing environmental impacts, waste and energy contribute to reducing costs and improving returns.

6. social indicators have contributed to improving financial performance and this reflects an interest among banks in enhancing institutional reputation and increasing confidence in the bank

7 Universal indicators of sustainability have shown that they contribute to improving returns. and reducing risk and this confirms the importance of having an institutional framework that supports the implementation of sustainability and the disclosure of its indicators.

8. The results demonstrated that the economic, environmental, social, and public sustainability dimensions work in an integrated manner to improve financial performance, and none should be addressed in isolation.

9. (A high level of commitment to sustainability indicators enhances banks' ability to withstand fluctuations and risks, and provides them with sufficient flexibility to maintain financial stability.

10. The results demonstrated the impact of sustainability standards on financial performance, indicating that adopting sustainability practices is not limited to social and environmental objectives but extends to enhancing financial results and efficiency.

4.2. Recommendations

1. To enhance sustainability disclosure among the banks in the study sample by adopting a comprehensive framework aligned with international standards.

2. For banks to adopt financial and investment policies that ensure an acceptable balance between return and risk.

3. To strengthen and prioritize economic indicators by improving resource efficiency rationalizing costs and improving resource efficiency, and enhancing the economic value of investments.

4. Improving environmental practices and focusing on rationalizing water and energy consumption and waste management because of their proven ability to reduce costs and environmental risks.

5. Working to develop social programs related to employee training, health and safety customer satisfaction, and community services in order to raise productivity and improve reputation and performance.

6. Creating a clear system for measuring sustainability indicators and following up on their development and their repercussions on financial indicators, especially return and risk.

7. Integrate sustainability indicators into risk management processes moving beyond solely assessing financial risks to encompass environmental and social risks.

8. Issuing transparent and comparable sustainability reports, adhering to established standards primarily the Global Reporting Initiative (GRI) in addition to local standards.

9.Establish a specialized sustainability committee tasked with developing plans, monitoring their implementation, preparing reports, measuring performance, and coordinating between departments.

10. Banks should adopt a comprehensive sustainability strategy directly linked to financial and investment plans, contributing to increased returns, reduced risks, and improved financial performance.

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