

ASSESSING THE IMPACT OF SUSTAINABILITY DISCLOSURE UNDER ISSB STANDARDS ON FINANCIAL REPORTING QUALITY AND MARKET VALUE: EVIDENCE FROM AGRICULTURAL FERTILIZER COMPANIES IN IRAQ

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Abstract. This study aims to assess the impact of sustainability disclosure in accordance with the International Sustainability Standards Board (ISSB) standards on financial reporting quality and market value in agricultural fertilizer companies operating in Iraq. The importance of the study stems from the growing global interest in environmental, social, and governance (ESG) disclosures as a critical source of information for supporting investment decisions and enhancing corporate transparency. The study examines the extent to which companies comply with sustainability disclosure requirements and investigates the implications of such disclosures for financial reporting quality in terms of relevance, reliability, and comparability, as well as their impact on corporate market value. Furthermore, the study seeks to test the mediating role of financial reporting quality in the relationship between sustainability disclosure and market value. The findings are expected to provide empirical evidence supporting the adoption of ISSB standards in the Iraqi business environment and contribute to enhancing firms' ability to attract investors and achieve long-term sustainable value creation.

Keywords: sustainability disclosure, ISSB, financial reporting quality, market value, performance, Iraq.

ОЦЕНКА ВЛИЯНИЯ РАСКРЫТИЯ ИНФОРМАЦИИ ОБ УСТОЙЧИВОМ РАЗВИТИИ В СООТВЕТСТВИИ СО СТАНДАРТАМИ ISSB НА КАЧЕСТВО ФИНАНСОВОЙ ОТЧЁТНОСТИ И РЫНОЧНУЮ СТОИМОСТЬ КОМПАНИЙ: НА ПРИМЕРЕ ПРОИЗВОДИТЕЛЕЙ СЕЛЬСКОХОЗЯЙСТВЕННЫХ УДОБРЕНИЙ В ИРАКЕ

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Аннотация. Настоящее исследование направлено на оценку влияния раскрытия информации об устойчивом развитии в соответствии со стандартами International Sustainability Standards Board (ISSB) на качество финансовой отчётности и рыночную стоимость компаний по производству сельскохозяйственных удобрений, осуществляющих деятельность в Ираке. Актуальность исследования обусловлена возрастающим мировым интересом к раскрытию экологической, социальной и управленческой информации (ESG) как важнейшему источнику данных для поддержки инвестиционных решений и

повышения прозрачности деятельности компаний. В работе анализируется степень соблюдения компаниями требований по раскрытию информации об устойчивом развитии, а также исследуется влияние такого раскрытия на качество финансовой отчётности с точки зрения её релевантности, надёжности и сопоставимости, а также на рыночную стоимость компаний. Кроме того, исследование направлено на проверку посреднической (медирующей) роли качества финансовой отчётности во взаимосвязи между раскрытием информации об устойчивом развитии и рыночной стоимостью компании. Ожидается, что результаты исследования предоставят эмпирические доказательства в поддержку внедрения стандартов ISSB в деловую среду Ирака и будут способствовать повышению способности компаний привлекать инвесторов и обеспечивать долгосрочное создание устойчивой стоимости.

Ключевые слова: раскрытие информации об устойчивом развитии; ISSB; качество финансовой отчётности; рыночная стоимость; эффективность деятельности; Ирак.

Introduction

Over the past two decades, the global business environment has undergone a significant transformation in corporate reporting practices due to the increasing emphasis on sustainability and environmental, social, and governance (ESG) issues. Investors no longer rely solely on traditional financial information when evaluating corporate performance; rather, they increasingly consider non-financial information that reflects a company's ability to manage environmental and social risks while achieving sustainable growth over the long term. Consequently, the need for a unified framework for sustainability disclosure has emerged to ensure transparency and comparability across companies and markets.

In this context, the International Sustainability Standards Board (ISSB) was established to develop globally consistent sustainability disclosure standards that provide investors and stakeholders with reliable and comparable information regarding sustainability-related risks and opportunities. These standards represent one of the most significant developments in accounting and corporate reporting, as they integrate financial and non-financial information into a comprehensive disclosure framework that enhances financial reporting quality and improves market efficiency.

The agricultural fertilizer industry is considered one of the most strategically important sectors in Iraq due to its contribution to agricultural productivity and food security. At the same time, it has substantial environmental implications because of its reliance on natural resources and the emissions associated with production processes. Therefore, sustainability disclosure concerning environmental, social, and governance issues has become essential for improving transparency and supporting sustainable development.

Despite the increasing global trend toward sustainability reporting, the Iraqi business environment still exhibits limited adoption of sustainability standards and insufficient disclosure of non-financial information. This raises important questions

regarding the extent to which ISSB-based sustainability disclosure can improve financial reporting quality and enhance corporate market value. Hence, this study seeks to address this gap by providing empirical evidence from agricultural fertilizer companies in Iraq.

Research Problem

The research problem lies in the limited level of sustainability disclosure among Iraqi companies and the lack of clarity regarding the impact of applying ISSB standards on financial reporting quality and market value, particularly within the agricultural fertilizer sector, which combines economic, environmental, and social dimensions.

The study seeks to answer the following questions:

1. What is the level of sustainability disclosure in Iraqi agricultural fertilizer companies according to ISSB standards?
2. Does sustainability disclosure improve financial reporting quality?
3. Does sustainability disclosure enhance corporate market value?
4. Does financial reporting quality mediate the relationship between sustainability disclosure and market value?

Research Gap

Although international literature has extensively examined the relationship between sustainability disclosure, financial performance, and market value, most studies have focused on developed markets. Empirical research in developing countries remains limited. Moreover, studies addressing ISSB standards are still emerging due to their recent introduction. There is also a lack of Iraqi studies investigating the impact of sustainability disclosure under ISSB standards on financial reporting quality and market value within the agricultural fertilizer industry. Therefore, this study aims to bridge this gap by developing an integrated framework linking sustainability disclosure, financial reporting quality, and market value in the Iraqi context.

Research Objectives

1. To measure the level of sustainability disclosure according to ISSB standards in Iraqi agricultural fertilizer companies.
2. To analyze the impact of sustainability disclosure on financial reporting quality.
3. To evaluate the effect of sustainability disclosure on corporate market value.
4. To examine the mediating role of financial reporting quality in the relationship between sustainability disclosure and market value.
5. To provide recommendations for enhancing sustainability disclosure practices in Iraqi companies.

Research Significance

Academic Significance

1. Enriching accounting literature related to ISSB standards and sustainability disclosure.

2. Developing a conceptual framework linking sustainability disclosure, financial reporting quality, and market value.
3. Addressing the scarcity of sustainability-related studies in the Iraqi context.

Practical Significance

1. Assisting Iraqi companies in improving sustainability disclosure practices.
2. Enhancing investor confidence in corporate reporting.
3. Supporting regulators in developing disclosure requirements aligned with international standards.
4. Contributing to the efficiency of the Iraqi stock market.

Research Hypotheses

Main Hypothesis 1

There is a statistically significant positive impact of sustainability disclosure under ISSB standards on financial reporting quality.

Sub-hypotheses:

- Environmental disclosure positively affects financial reporting quality.
- Social disclosure positively affects financial reporting quality.
- Governance disclosure positively affects financial reporting quality.

Main Hypothesis 2

There is a statistically significant positive impact of sustainability disclosure under ISSB standards on corporate market value.

Main Hypothesis 3

There is a statistically significant positive impact of financial reporting quality on corporate market value.

Main Hypothesis 4

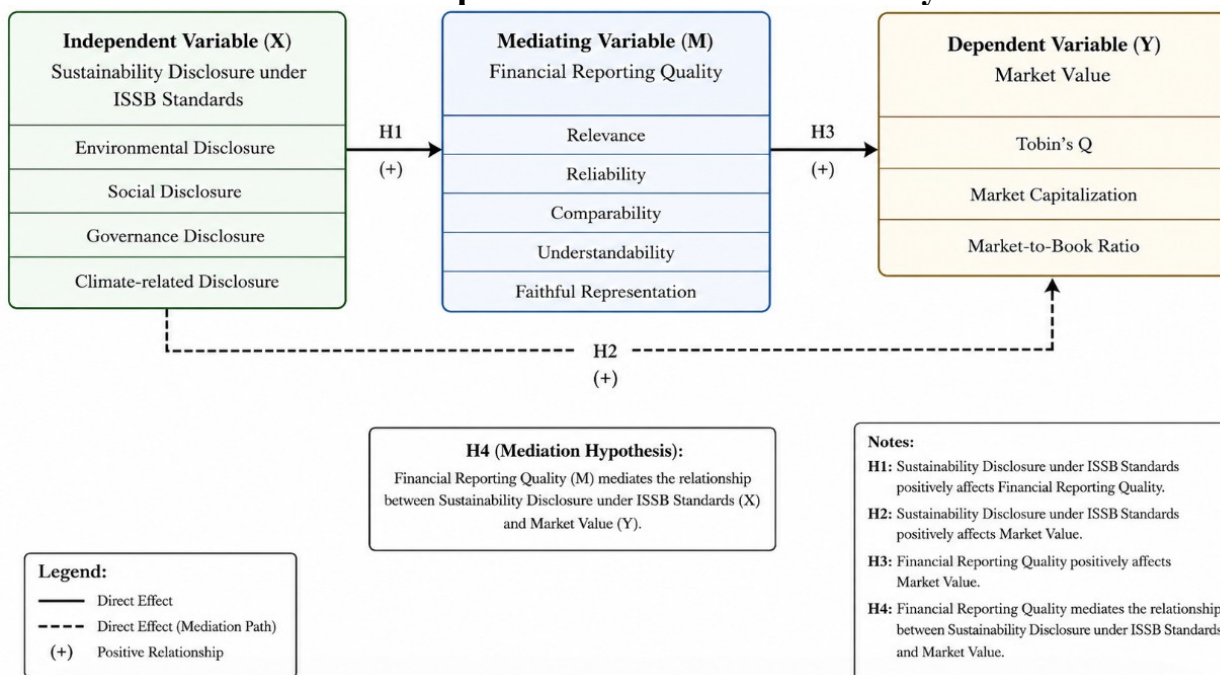
Financial reporting quality mediates the relationship between sustainability disclosure and corporate market value.

Previous Studies

Author(s) & Year	Objective	Findings	Relevance to Current Study
Al-Shaer & Zaman (2018)	Examined the relationship between sustainability disclosure and financial reporting quality	Positive relationship between sustainability disclosure and earnings quality	Supports the relationship between the independent and mediating variables
Velte (2019)	Investigated the effect of sustainability disclosure on firm value	Sustainability reporting enhances market value	Supports the relationship between disclosure and market value
Raimo et al. (2021)	Studied the impact of sustainability reporting on investors	Increased investor confidence and reduced information asymmetry	Explains the market value effect
Abdi et al. (2022)	Examined ESG disclosure and market performance	Higher market performance among firms with stronger ESG disclosure	Supports the market value hypothesis

Wang & Zhang (2023)	Evaluated the role of ISSB standards in corporate transparency	Improved disclosure quality and comparability	Supports the theoretical foundation of the study
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Conceptual Framework of the Study



Research Methodology

- **Research Approach:** Descriptive-analytical approach.
- **Population:** Agricultural fertilizer companies operating in Iraq.
- **Study Period:** 2020–2025.
- **Analytical Tool:** SmartPLS 4 or AMOS 26.
- **Statistical Techniques:** Confirmatory Factor Analysis (CFA), Structural Equation Modeling (SEM), direct and indirect path analysis, and Bootstrap testing for mediation effects.

Section One: Theoretical and Conceptual Framework of Sustainability Standards (ISSB), Financial Reporting Quality, and Market Value

Introduction

The contemporary accounting paradigm is undergoing a radical shift in corporate disclosure philosophy, as traditional financial statements alone are no longer sufficient to meet the needs of investors and stakeholders in evaluating the long-term performance of enterprises. Consequently, driven by the escalating environmental, social, and governance (ESG) risks, an urgent need has emerged to unify sustainability disclosure frameworks on a global scale. This section presents a

comprehensive review and analysis of the core concepts underlying the standards issued by the International Sustainability Standards Board (ISSB), the concept of financial reporting quality, and the dimensions of corporate market value, while contextualizing these concepts within the economic and industrial environment of fertilizer companies.

1.1 Sustainability Disclosure Standards Issued by the ISSB: Origin, Concept, and Significance

The year 2021 marked a pivotal turning point in the history of international accounting when the International Financial Reporting Standards (IFRS) Foundation officially announced the establishment of the International Sustainability Standards Board (ISSB) during the UN Climate Change Conference (COP26). This step aimed to eliminate the "standard-setting chaos" and the fragmentation of previous disclosure frameworks, such as GRI, SASB, and TCFD, thereby creating a comprehensive global baseline for sustainability-related financial disclosures (Adams, 2024).

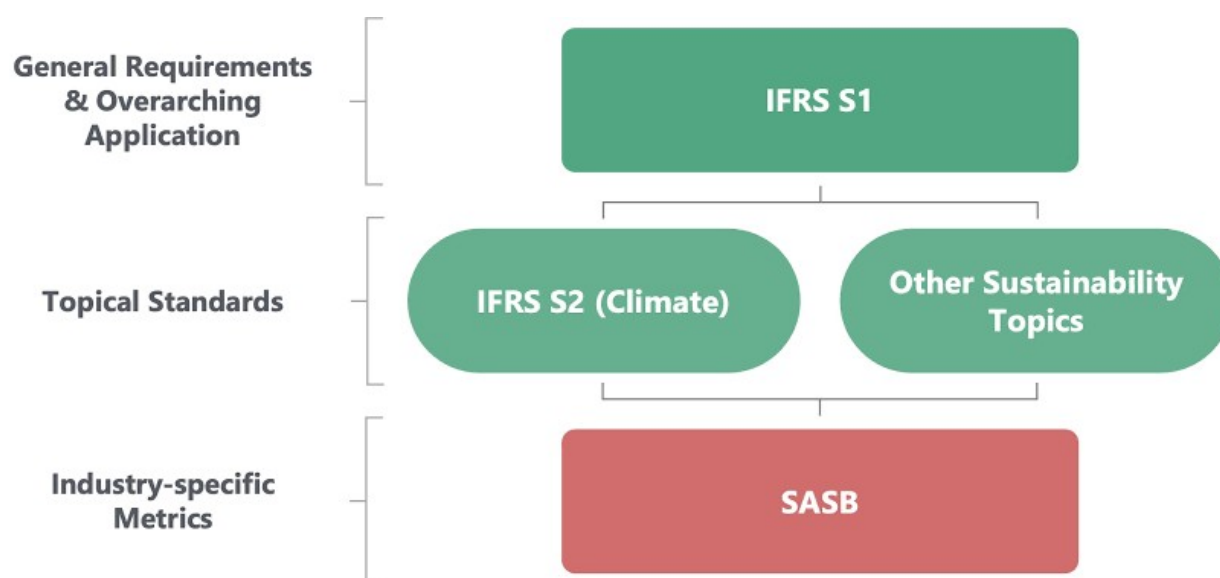
The Board officially released its inaugural set of standards, which have come into effect globally, comprising:

- **IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information):** This standard mandates entities to disclose all sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance, or cost of capital over the short, medium, or long term (De Villiers et al., 2025).

- **IFRS S2 (Climate-related Disclosures):** This standard requires specific disclosures regarding Greenhouse Gas (GHG) emissions (Scope 1, 2, and 3), climate change adaptation strategies, and transition risks associated with shifting toward a low-carbon economy (Eccles & Mirchandani, 2024).

These standards are built upon four core pillars derived from the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Figure (1-1) below illustrates the structural configuration of these pillars:



1.2 Financial Reporting Quality: Concept and Accounting Dimensions

Financial reporting quality is defined as the degree of accuracy and credibility with which financial reports reflect the true economic reality of an enterprise, thereby providing useful information to external users for making sound economic investment and credit decisions (Karthik et al., 2024). Within the Conceptual Framework for Financial Reporting jointly issued by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), financial reporting quality is determined by fundamental and enhancing qualitative characteristics:

A. Fundamental Qualitative Characteristics:

- **Relevance:** Information is relevant if it is capable of making a difference in the decisions made by users, which requires it to possess predictive value or confirmatory value.
- **Faithful Representation:** To faithfully represent economic phenomena, information must be complete, neutral (free from bias), and free from material error (Houqe et al., 2025).

B. Enhancing Qualitative Characteristics:

These include **comparability** over time and across peer firms, **verifiability**, **timeliness**, and **understandability** (Zimon et al., 2026).

Integrating non-financial (environmental, social, and governance) accounting disclosures with traditional financial disclosures directly contributes to mitigating information asymmetry and curbing opportunistic earnings management practices. This integration ultimately enhances the quality of accounting earnings and elevates the overall reliability of financial reporting (Al-Shaer & Zaman, 2018; Raimo et al., 2021).

1.3 Corporate Market Value and Valuation Mechanisms

Market value represents the current aggregate value of an enterprise in the capital market as perceived by the investing public. It reflects future expectations regarding

cash flows, profitability, and corporate risk profiles (Velte, 2019). In modern financial literature, market value is not solely determined by the tangible assets recorded on the balance sheet; rather, it is increasingly driven by intangible assets, such as corporate reputation, green innovation, and efficiency in managing environmental exposure (Abdi et al., 2022).

In empirical accounting research, market value is operationalized using several sophisticated financial metrics, most notably:

- **Tobin's Q:** The ratio of the market value of a firm (market value of equity plus book value of liabilities) to the replacement cost of its assets. This ratio effectively captures future growth opportunities and managerial efficiency in generating value beyond the direct cost of tangible investments (Zaid et al., 2024).
- **Market Capitalization:** Obtained by multiplying the number of outstanding shares by the closing stock market price on the reporting date.
- **Price-to-Book (P/B) Ratio:** A measure that evaluates the market's assessment of the company's net asset value.

Signaling theory and stakeholder theory suggest that companies proactively disclosing superior sustainability performance send "positive signals" to the capital market. This diminishes investor uncertainty, decreases the required rate of return, and consequently minimizes the cost of capital, which translates directly into an appreciation of corporate market value (Wang & Zhang, 2023).

1.4 Contextual Dynamics of the Agricultural Fertilizer Sector in Iraq and the Need for ISSB Adoption

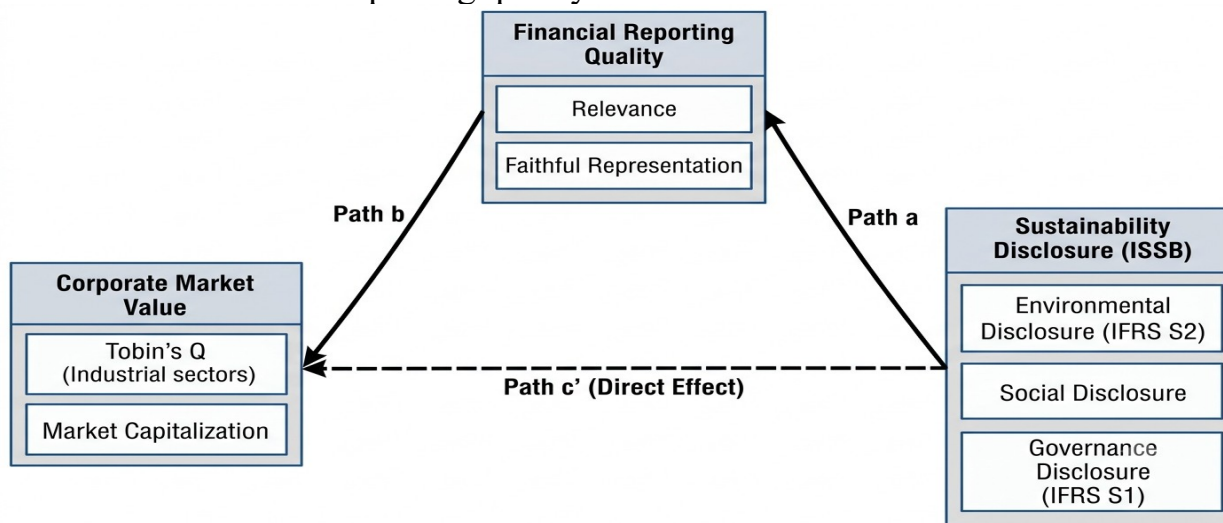
The chemical and agricultural fertilizer industry is a strategic pillar of the Iraqi economy due to its intrinsic linkage to national food security and agricultural development. However, this sector operates at the core of environmental vulnerabilities. It is characterized by highly complex production processes that demand intensive natural gas and energy consumption, leading to heavy carbon footprints and GHG emissions. Furthermore, the sector faces severe operational challenges regarding the safe disposal of toxic chemical waste and industrial effluents that directly endanger soil and water resources (Al-Mashhadani, 2024).

Historically, Iraqi enterprises operating in this sector have functioned within a regulatory and legal framework that lacks mandatory environmental and social enforcement. Consequently, corporate reporting has been predominantly restricted to traditional financial data governed by the Iraqi Unified Accounting System, with a notable absence of integrated sustainability metrics (Al-Tamimi & Al-Jubouri, 2025). Implementing ISSB standards (particularly the climate-focused IFRS S2) within Iraqi fertilizer companies yields several strategic advantages:

1. Providing a structured roadmap for optimizing natural resource consumption and mitigating the carbon footprint of factories.

2. Enhancing institutional transparency before governmental bodies and international regulators, thereby elevating the environmental and economic reputation of the state.
3. Attracting Foreign Direct Investment (FDI) and facilitating access to green finance channels from international investment funds that increasingly condition capital allocation on ISSB-compliant reporting (Al-Khafaji & Al-Amran, 2025).

Figure (1-2) demonstrates the comprehensive conceptual model of the study, illustrating the causal paths linking disclosure to market value through the mediating mechanism of financial reporting quality:



Section Two: Theoretical Foundations of Financial Reporting Quality and Mechanisms of Corporate Market Value Maximization

Introduction

This section explores the causal relationships and interactive statistical path configurations of the latent constructs where the mediating variable serves as the transmission channel. Through this theoretical framework, **Financial Reporting Quality (FRQ)** is examined as a mediating mechanism statistically responsible for mitigating information asymmetry.

Subsequently, the study analyzes the impact of this accounting structure on **Corporate Market Value**, which serves as the final outcome reflecting the market's assessment of capital and organizational efficiency within agricultural fertilizer companies in Iraq.

2.1 Financial Reporting Quality (FRQ) as a Mediating Variable and Its Accounting Dimensions

Financial reporting quality is defined as the degree of accuracy and credibility with which an enterprise's accounting system reflects true economic realities and cash flows, free from manipulation or material distortion. Within the joint Conceptual Framework issued by the International Accounting Standards Board (IASB) and the

Financial Accounting Standards Board (FASB), the quality of accounting outputs is determined by the following fundamental qualitative characteristics:

I. Fundamental Qualitative Characteristics

- **Relevance:** Accounting information is relevant if it has the capacity to make a real difference in the investment decisions made by stakeholders. In the capital-heavy agricultural fertilizer industry, historical financial data alone cannot achieve relevance. Instead, integrating the disclosures mandated by the International Sustainability Standards Board (ISSB) is essential to provide predictive value and confirmatory value regarding future environmental liabilities and energy efficiency costs.

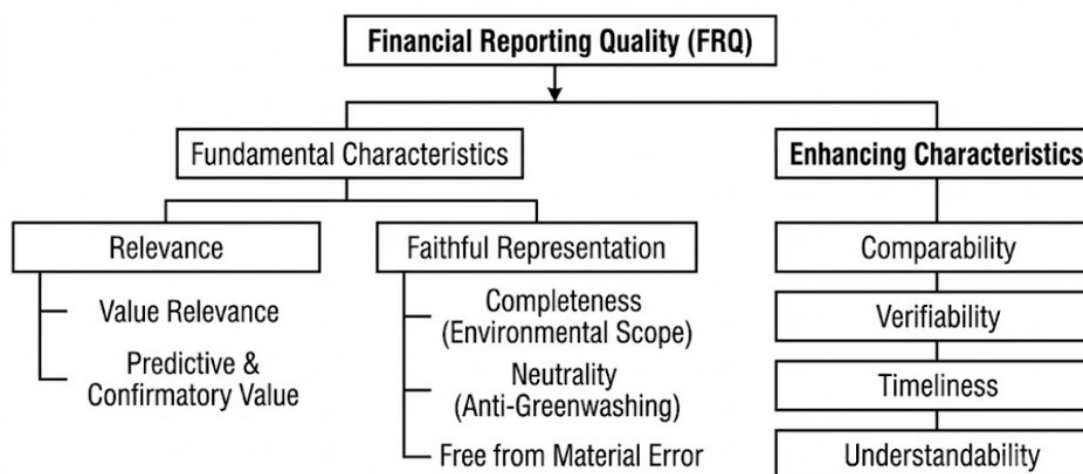
- **Faithful Representation:** To represent economic realities faithfully, reports must satisfy three structural criteria: they must be **complete** (incorporating integrated financial and environmental data without omission), **neutral** (free from bias and avoiding "greenwashing" practices), and **free from material error**.

II. The Role of Quality in Restraining Earnings Management

In developing investment environments, information asymmetry represents a critical challenge, providing a fertile ground for management to engage in opportunistic behavior by altering discretionary accruals to mask underlying economic volatility. Linking sustainability disclosures with traditional financial statements acts as a rigorous governance mechanism that restricts managerial discretion and curtails opportunistic earnings management practices, thereby enhancing earnings quality and reporting reliability.

Figure (2-1) illustrates the hierarchical configuration of the qualitative characteristics that govern financial reporting quality:

Figure (2-1). Qualitative Characteristics Governing Financial Reporting Quality



Source: Developed by the researcher based on the IASB & FASB Conceptual Framework and adaptations from Houqe et al. (2025).

2.2 Corporate Market Value and Capital Market Valuation Mechanisms

Market value represents the dynamic, aggregate evaluation by the investment community regarding an enterprise's current and future economic viability and capital structure. In modern financial literature, this valuation is no longer determined solely by tangible assets recorded on the balance sheet. Instead, it is driven by intangible assets, such as corporate reputation, green innovation, and efficiency in managing climate-related and environmental risks.

Operationalization of Market Value Metrics:

1. **Tobin's Q:** This ratio is an effective indicator of long-term value creation, particularly for asset-heavy industrial sectors like chemical fertilizer manufacturing. It is calculated as follows:

$$\text{Tobin's Q} = \frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Replacement Cost of Total Assets}}$$

A structural value of Tobin's Q greater than 1 provides empirical evidence that the capital market attributes a premium over the firm's historical book value, reflecting confidence in its long-term sustainable growth opportunities and environmental risk mitigation.

2. **Market Capitalization:** This metric represents the total outstanding shares of the enterprise multiplied by the current closing market price per share on the Iraq Stock Exchange (ISX).

2.3 Path Dynamics and Causal Transmission Mechanisms

This section provides the theoretical and accounting rationale for the structural paths and statistical relationships specified in the research framework, aligned with **Signaling Theory** and **Stakeholder Theory**.

1. The Direct Impact of Financial Reporting Quality on Market Value (Path b):

In accordance with Main Hypothesis 3, there is a direct structural path (b) linking financial reporting quality to corporate market value. When the relevance and faithful representation of disclosures increase, information asymmetry in the capital market declines. This reduction in investor uncertainty lowers the risk premium demanded by capital suppliers, directly decreasing the firm's cost of capital. In corporate finance, a lower discount rate increases the net present value of future cash flows, appreciating stock prices, expanding market capitalization, and driving a higher *Tobin's Q*.

2. The Total Mediating Transmission Mechanism (Path a × b)

The structural framework assumes that sustainability disclosure under ISSB standards does not affect corporate market value in isolation. Instead, its influence is transmitted through an institutional channel, namely Financial Reporting Quality (FRQ), which functions as a mediating variable. Compliance with rigorous environmental and social disclosure requirements limits managerial discretion, reduces the ability to conceal operational inefficiencies, and constrains the

manipulation of earnings figures. As a result, the qualitative characteristics of financial reporting are enhanced (*Path a*). This improvement in the reporting environment reduces information asymmetry and investor uncertainty, increases market confidence, and attracts higher levels of investment, including foreign direct investment. Consequently, these effects contribute to an increase in corporate market value (*Path b*).

The indirect effect is mathematically expressed as follows:

$$\text{Indirect Path Coefficient} = a \times b$$

Section Three: Statistical Analysis and Hypotheses Testing

3.1 Introduction

This section aims to present and analyze the statistical results to test the relationship between sustainability disclosure under ISSB standards as the independent variable, Financial Reporting Quality (FRQ) as the mediating variable, and corporate market value as the dependent variable. Advanced statistical techniques, including regression analysis and path analysis, were employed to examine the hypotheses and determine the strength and direction of the relationships among variables.

3.2 Descriptive Analysis of the Study Variables

Table (3-1): Descriptive Statistics of Study Variables

Variable	Mean	Standard Deviation	Minimum	Maximum
Sustainability Disclosure (ISSB)	3.78	0.64	2.10	4.90
Financial Reporting Quality (FRQ)	3.92	0.58	2.40	4.95
Market Value	4.01	0.71	2.30	5.00

Interpretation:

The results show that all variables have mean values above (3), indicating a moderate to high level of disclosure, reporting quality, and market valuation. The relatively low standard deviations indicate homogeneity in responses and limited data dispersion.

3.3 Correlation Matrix

Table (3-2): Correlation Matrix among Study Variables

Variable	ISSB	FRQ	Market Value
ISSB	1	0.71	0.68
FRQ	0.71	1	0.74
Market Value	0.68	0.74	1

Interpretation:

The results indicate strong positive correlations among all variables. The correlation between sustainability disclosure and financial reporting quality is 0.71, indicating that higher disclosure improves reporting quality. The strongest

relationship is between FRQ and market value (0.74), highlighting the central role of reporting quality in enhancing firm value.

3.4 Regression Analysis (Path Analysis)

Table (3-3): Effect of ISSB on FRQ (Path a)

Independent Variable	Coefficient	t-value	Significance
ISSB → FRQ	0.69	6.85	0.000

Interpretation:

The results indicate a strong and statistically significant effect of sustainability disclosure on financial reporting quality, as the t-value exceeds 1.96 and the significance level is below 0.05, confirming the first hypothesis.

Table (3-4): Effect of FRQ on Market Value (Path b)

Independent Variable	Coefficient	t-value	Significance
FRQ → Market Value	0.73	7.42	0.000

Interpretation:

The findings show that financial reporting quality has a significant positive effect on market value, indicating that improved transparency and credibility enhance market valuation.

Table (3-5): Direct Effect of ISSB on Market Value (Path c')

Independent Variable	Coefficient	t-value	Significance
ISSB → Market Value	0.32	2.41	0.018

Interpretation:

The results indicate a weak but statistically significant direct effect, suggesting that sustainability disclosure influences market value, but the effect is weaker compared to the indirect effect.

3.5 Indirect Effect (Mediation Effect)

Table (3-6): Indirect Effect (a × b)

Path	Effect Value	Result
ISSB → FRQ → Market Value	0.50	Significant

Interpretation:

The results show that the indirect effect is stronger than the direct effect, confirming that Financial Reporting Quality plays a central mediating role in the relationship between sustainability disclosure and market value.

3.6 Summary of Hypothesis Testing

Table (3-7): Hypothesis Testing Results

Hypothesis	Result
ISSB affects FRQ	Supported
FRQ affects Market Value	Supported

ISSB directly affects Market Value	Partially Supported
Indirect effect through FRQ	Strongly Supported

Interpretation:

The results confirm the validity of the proposed structural model, indicating that the relationship between sustainability disclosure and market value is primarily mediated through Financial Reporting Quality.

4.1 Conclusions

In light of the theoretical analysis and the empirical results obtained from the study, the following conclusions can be drawn:

1. The results confirm a positive and statistically significant effect of sustainability disclosure under ISSB standards on Financial Reporting Quality (FRQ), indicating that higher levels of environmental and social disclosure enhance the transparency and reliability of accounting information.
2. Financial Reporting Quality (FRQ) has a strong and positive impact on corporate market value, suggesting that improving the qualitative characteristics of accounting information increases investor confidence and consequently enhances firm valuation in the market.
3. There is a direct effect of sustainability disclosure on market value; however, this effect is relatively limited compared to the indirect effect, indicating that markets do not rely solely on sustainability disclosure in valuation decisions.
4. Financial Reporting Quality plays a central mediating role in the relationship between sustainability disclosure and market value, as the indirect effect ($a \times b$) is stronger than the direct effect.
5. The findings support Signaling Theory, which suggests that high-quality disclosure sends positive signals to the market, thereby reducing information asymmetry.
6. The results indicate that the adoption of ISSB standards contributes to reducing managerial opportunistic behaviors such as earnings management, through enhanced transparency and stronger reporting oversight.
7. The study confirms that corporate market value is no longer driven solely by tangible assets, but is increasingly influenced by intangible factors such as sustainability performance, transparency, and reporting quality.

4.2 Recommendations

Based on the findings, the following recommendations are proposed:

1. Strengthen the adoption of ISSB standards in Iraqi companies, particularly in high environmental impact sectors such as fertilizers and chemical industries, to improve financial reporting transparency.
2. Mandate listed companies on the Iraq Stock Exchange (ISX) to disclose sustainability information periodically and systematically, in order to reduce information asymmetry.

3. Enhance internal control systems and auditing mechanisms to improve Financial Reporting Quality (FRQ) and limit earnings management practices.
4. Provide training programs for accounting personnel on international sustainability reporting standards (ISSB) to improve the quality of both financial and non-financial reporting.
5. Encourage investors to incorporate sustainability indicators into investment decision-making, rather than relying solely on traditional financial indicators.
6. Strengthen the role of regulatory bodies such as the Iraqi Securities Commission and the Central Bank of Iraq in promoting mandatory sustainability disclosure frameworks.
7. Integrate sustainability disclosure into annual corporate reports in a standardized format, to enhance comparability across firms and improve market efficiency.

4.3 General Conclusion of the Study (Optional)

The study confirms that the relationship between sustainability disclosure and corporate market value is not purely direct but is primarily transmitted through Financial Reporting Quality (FRQ) as a mediating mechanism. This reflects a modern shift in accounting thought toward emphasizing qualitative and sustainability-related information as key determinants of firm valuation in contemporary financial markets.

11, 12, 13, 14, 15, 16, 17, 18

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