

## Corporate Characteristics Determining Sustainability Reporting<sup>1</sup>

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Research Paper

### INTRODUCTION

Many believe that sustainable accounting provides the possibility of accountability in dimensions that have always been the demand of society and people. Therefore, the concept of sustainable development is rooted in three main pillars, the goal of which is to achieve inclusive growth as well as common prosperity for the current generation and continue to respond to the needs of the future generation. Sustainability is the new pillar in competitive markets. Sustainable accounting is an organizational strategy that connects the external environment (environment and society: stakeholders) with the internal environment (corporate governance) of the organization. Environmental and social crises in the world have drawn the attention of stakeholders to three social, economic, and environmental dimensions. The stakeholders want the organization to pay attention to these issues. Institutions in society have established rules and norms for organizations regarding sustainable development. The organization has also paid attention to the needs of these institutions and beneficiaries to gain legitimacy and continue its long-term survival.

Considering Iran's resource-oriented economy, the concept of sustainable development seems important. Iran is facing many environmental, social, and governance problems. For example, Iran is the eighth producer of carbon dioxide in the world; Iran's position in terms of

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indicators of happiness, gender gap, and environmental sustainability in the world is inappropriate; the lack of social understanding and not being community-oriented in Iran's performance has been abundantly observed. Also, issues such as water shortage and drought, fine dust, air pollution in big cities, high energy consumption, drying up of wetlands, erosion, and land subsidence are among the major problems plaguing Iran's environment, which in addition to endangering human lives, the environment It has led Iran to a critical situation. These issues become complicated when we consider that even though environmental protection and attention to social justice have a special place in Iran's laws and regulations, sustainability reporting is performed poorly. Organizations in Iran publish sustainability reports in a scattered and non-mandatory manner. Therefore, no globally accepted framework can be relied upon in Iran. Therefore, according to the importance of the subject, the present study tries to investigate the factors within the organization that affect the disclosure score of sustainability reporting.

## **MATERIALS AND METHODS**

We obtain the organizational factors influencing sustainability reporting with first-order factor analysis, and then, along with other variables of the research, we obtain the effect of the obtained organizational factors on the disclosure score of sustainable reporting. Then we obtain the consequences of sustainability reporting with seemingly unrelated regression methods. The research sample also includes information related to 194 Tehran Stock Exchange companies, for the fiscal years 1390 to 1400, compiled from financial statements, management reports, and audit committee information.

## **RESULTS AND DISCUSSION**

The findings of the research indicate that the board of directors (in terms of gender and education level), corporate governance structure (in terms of political connections, perspectives of sustainability reporting, independence and expertise of the accounting committee), strategies of the industry, ownership structure (from In terms of family ownership, concentration of ownership), capital structure, profitability, regulatory structure and company size (in terms of total assets, amount of sales and amount of foreign sales) have a positive and significant effect on the disclosure score of the sustainability report. In the explanation of these results, it can be stated that the higher the level of education of the board

of directors (doctorate and master's degree), they are more familiar with the issue of sustainability, and considering the inherent characteristics of the female expert force that they are more likely to disclose matters related to Sustainability reports are more focused. From the perspective of the theory of legitimacy and stakeholders, the strategies of the industry, profitability, capital structure, and the size of the company also cause society and the government to pay more attention to the organization, and the organization discloses matters related to the sustainability report to gain trust. It can also be said that the greater the number of shareholders and their extent (lower concentration of ownership), the greater the level of accountability from the company, and increasing the company's responsiveness to multiple shareholders leads to an increase in the disclosure of the sustainability report.

The results of the simultaneous equations indicate a reciprocal relationship between the sustainability report and return on equity. Companies with higher efficiency disclose more sustainability reports, and organizations with more disclosure of sustainability reports will have higher efficiency and positive organizational performance. According to the theory of stakeholders and legitimacy, the disclosure of the sustainability report can lead to higher profitability and competitive advantage in the organization.

## **CONCLUSION**

The current research is one of the researches that for the first time deals with the dimensions and indicators of sustainability reporting for listed companies according to the new requirements of compliance with corporate governance for companies admitted to the Iran Stock Exchange. According to the culture of Iran, it seems that companies can implement sustainability reporting in the form of a sustainability reporting framework, but legally there is still a long way to accept the framework and implement it. Therefore, in terms of legal weakness, many companies do not publish a sustainability report and are satisfied with a few lines in the management report letter. Therefore, the results are necessary and important for Iranian organizations and companies to strengthen these factors and improve sustainability reporting, which is one of the topics discussed at the international level.

**Keywords:** Sustainability Report, Influencing Factors on Sustainability Report, Structural Equation Modeling, Seemingly Unrelated Regression.

**JEL Classification:** M41, G32.

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