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The Impact of Sustainable Accounting Practices on Improving Reputation and Investor Confidence: The Moderating Role of Environmental Awareness in the Kurdistan Region of Iraq

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Abstract: This study's main emphasis was to deploy a structural modelling approach to examine how environmental awareness moderates the impact of sustainable management practices (Sustainable Accounting Practices) on improving reputation and investor confidence in the Kurdistan Region of Iraq. This was achieved by structurally modelling responses from 274 industrial company managers, investors, and accounting professionals across different industrial categories using Smart PLS. Our study advances the accounting and environmental management discourses by demonstrating how SMPs' orientation towards improving environmental management helps boost organizations' reputations and investors' confidence. As a result, this study positions SMPs as an institutional mechanism that companies use to promote trust, legitimacy, and credibility rather than as a standard disclosure activity. The integration of stakeholder, signaling, and legitimacy theories into a single empirical framework applicable to economies with weak sustainability enforcement practices advances the sustainability literature from a theoretical perspective. The notable contribution is the theoretical conceptualization of corporate reputation as an active mechanism. Mandating companies across industries to integrate SMPs, especially in environmentally sensitive sectors such as energy and manufacturing, is key to attracting investors and promoting acceptable business practices.

أثر ممارسات المحاسبة المستدامة على تحسين السمعة وثقة المستثمرين: الدور المعدل للوعي البيئي في إقليم كردستان العراق

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المستخلص

ركزت هذه الدراسة بشكل أساسي على استخدام منهجية النمذجة الهيكلية لدراسة تأثير الوعي البيئي كعامل وسيط على دور ممارسات الإدارة المستدامة في تحسين السمعة وتعزيز ثقة المستثمرين في إقليم كردستان العراق. وقد تحقق ذلك من خلال نمذجة هيكلية لردود 274 مديرًا من شركات صناعية ومستثمرين ومحاسبين من مختلف القطاعات الصناعية، باستخدام برنامج Smart PLS. تُسهم دراستنا في تطوير الخطابات المحاسبية والإدارية البيئية من خلال توضيح كيف يُساعد توجه ممارسات الإدارة المستدامة نحو تحسين الإدارة البيئية في تعزيز سمعة المؤسسات وثقة المستثمرين. ونتيجة لذلك، تُصنف هذه الدراسة ممارسات الإدارة المستدامة كآلية مؤسسية تستخدمها الشركات لتعزيز الثقة والشرعية والمصداقية، بدلاً من كونها مجرد نشاط إفصاح روتيني. وتتمثل المساهمة البارزة في التصور النظري لسمعة الشركات كآلية فعّالة. يُعدّ إلزام الشركات في مختلف القطاعات بتطبيق ممارسات المحاسبة المستدامة، لا سيما في قطاعات حساسة بيئياً كقطاعي الطاقة والصناعات التحويلية، عاملاً أساسياً لجذب المستثمرين وتعزيز الممارسات التجارية المقبولة.

الكلمات المفتاحية: الوعي البيئي، ثقة المستثمرين، إقليم كردستان العراق، الدور الوسيط، السمعة، ممارسات المحاسبة المستدامة.

1. Introduction

Sustainable management practices have, over the years, grown in significance from a mere ethical requirement to a strategic need that companies in stakeholder-driven, transparent markets must adopt to improve their reputation and investors' confidence. With companies no longer valued solely on financial indicators, it remains crucial to ensure that other indicators, such as their long-term orientation towards sustainability and environmental responsibility, are incorporated into these actions. Such efforts and practices are highly coveted in economies such as the Kurdistan Region of Iraq (KRI), which rely heavily on industrial activities to drive their economic and social performance. However, the major challenge is that environmental awareness and protection mechanisms are not effectively enforced in KRI (Abdulkarim, 2023: 209; Ibraheem et al., 2024: 367). Additionally, the adoption of SMPs is voluntary, and these challenges risk compromising industrial companies' reputation and investors' confidence in their operations.

While the KRI has observed a significant growth in industries such as petroleum, food processing and cement manufacturing (Abdulkarim, 2023: 209; Jongerden et al., 2019: 367), the prevalence of changing stakeholder expectations, environmental challenges and regulatory gaps leads one to question the impact of SMPs in improving corporate reputation and investor confidence, especially when environmental awareness seems to be a developed economies' mandate. The motivating factor behind this study is the scarcity of empirical evidence on such matters. On a more practical level, there is no clear evidence on how environmental awareness can be used to moderate such interactions. Some studies consider it to be an outcome (Saifulina et al., 2023: 2). In contrast, others consider it to be an indirect influence on corporate activities (Skallerud Armbrecht & Tuu, 2021: 946) In light of these gaps, this study therefore, intends to deploy a structural modelling approach to examine environmental awareness moderating impact on the roles of sustainable management practices (SMPs) in improving reputation and investor confidence.

Our study advances the accounting and environmental management discourses by demonstrating how SMPs' orientation towards improving environmental management helps boost organisations' reputations and investors' confidence. As a result, this study positions SMPs as an institutional mechanism that companies use to promote trust, legitimacy, and credibility rather than as a standard disclosure activity. The integration of stakeholder, signalling, and legitimacy theories into a single empirical framework applicable to economies with weak sustainability enforcement practices advances the sustainability literature from a theoretical perspective. The notable contribution is the theoretical conceptualisation of corporate reputation as an active mechanism. The next section of the study reviews the underlying theories and related studies.

2. Literature Review and Hypothesis Development: This study integrates stakeholder, signalling, and legitimacy theories into a single empirical framework applicable to economies with weak sustainability enforcement practices, advancing the sustainability literature from a theoretical perspective. Given the diverse nature of the industries under consideration and the post-conflict context of the KRI, these theoretical perspectives enhance the study's comprehensiveness in analysing the interactive relationships among SMPs, environmental awareness, corporate reputation,

and investor confidence. To provide greater empirical support for these theoretical contributions, we reviewed related studies to formulate the study's hypotheses.

Foremost, the role of SMPs in advancing corporate activities is embedded in these companies. These companies can demonstrate accountability in this context; SMPs serve as an instrumental avenue through which companies can demonstrate accountability and responsiveness to social and environmental concerns. In support of this notion, (Branco and Rodrigues, 2006: 111) hold that this relationship has been empirically validated in developed economies. (Michelon Pilonato and Ricceri, 2015: 60) similarly highlighted that the same conclusions apply to emerging economies. (Mio, Panfilo, and Blundo, 2020: 1464) noted that considerable reputational gains can be achieved when companies integrate sustainable management practices into their operations. In another instance, García-Sánchez (Raimo and Vitolla, 2022: 1605) observed that economies with weak environmental gains were not as likely to experience poor reputational assessments and low-quality sustainability practices. However, it remains an interesting inquiry whether they can be extended to the KRI's economy, where enforcement mechanisms are weak, and companies voluntarily adopt SMPs. Our study, therefore, builds on this literature and expects that SMPs will improve industrial companies' reputations. Amid such observations, the following hypothesis was formulated;

- ❖ **H1:** Sustainable management practices have a direct, significant positive impact on corporate reputation.

Drawing on legitimacy theory, our study extends its analysis beyond examining reputational effects to analyse how SMPs can directly influence investors' confidence. According to the legitimacy theory as postulated by (Suchman 2002: 434), companies that report their activities transparently tend to align with society's expectations and reduce legitimacy risk. The ability of investors to incorporate sustainability information is well-documented in academic studies. For instance, (Krüger's, 2015: 307) study found that negative environmental events significantly erode investor confidence, while proactive sustainability practices mitigate such effects. Similarly, (Cheng, Ioannou, and Serafeim, 2014: 3) report that high-quality ESG disclosure improves access to finance by enhancing investor trust.

Most importantly, within the context of investment management, SMPs can signal to investors that the company's risk has declined, which, from a signalling perspective, indicates long-term competence and a desirable proactive approach to risk management. This is supported by Albuquerque et al. (2020: 805) findings, which indicate that companies with better SMPs are characterised by stable investment flows. In another study, Bui and Nguyen (2023: 2) associated this finding with a reduction in information asymmetry, which further boosts investor confidence. However, it remains to be seen whether such a relationship will hold in the KRI, where the economy's investor protection mechanisms are still evolving. To address this gap, this study formulates the following hypothesis:

- ❖ **H2:** Sustainable management practices have a direct, significant positive impact on investor confidence.

Drawing on the application of signal theory in this study, analysing the interactive relationship between corporate reputation and investor confidence is critical. According to the signal theory, companies utilise credible disclosures to signal superior governance (Suchman, 2002: 434). Spence also contends that this is vital for companies facing information asymmetry challenges, as they can utilise such disclosures to reduce investors' risk exposure and improve their long-term strategic orientation (Suchman, 2002: 434). This relation is empirically documented in previous examinations. For instance, (Albuquerque et al.'s (2020: 805) findings highlighted that companies with better SMPs are characterised by stable investment flow. In another study, (Bui and Nguyen, 2023: 2) contend that SMPs tend to reduce information asymmetry, thereby boosting investor confidence. This mirrors the RBV's view, which considers organisational reputation as a vital, rare and difficult-to-imitate resource that sustains the company's competitive edge in the market (Madhani, 2010: 43). Such findings are instrumental to the KRI, where the economy's investor protection mechanisms are still evolving. This results in the formulation of the following hypothesis;

- ❖ **H3:** Sustainable management practices have a direct, significant positive impact on investor confidence.

Apart from testing the above formulated hypotheses, our study also introduces a novel aspect involving environmental awareness' moderating effects, which were not modelled in previous examinations (Al Frijat et al.,

2025: 8011; Hakim & Susanty, 2024: 1). Building on behavioral finance and cognitive evaluation theories' perspectives, we assert that when stakeholders are aware of the need to safeguard environmental protection laws, they tend to be incorporate environmental performance into their daily activities. To mirror this notion, (Fatemi, Glaum, and Kaiser, 2018: 43) contend that companies tend to be highly sustainability-oriented when they have greater ESG information. In another study, (Raimo et al., 2024: 421) argue that investors are significantly more likely to respond to credibility reports from their SMPs when companies have a high level of environmental awareness. However, the major challenge is that some studies consider it an outcome (Saifulina et al., 2023: 2), while others consider it an indirect influence on corporate activities (Skallerud Armbrecht & Tuu, 2021: 946). In order to address this gap and provide a context-sensitive moderating effect of environmental awareness in post-conflict economies that are characterised by low enforcement abilities and economic instability, we formulated the following hypotheses:

- ❖ **H4:** Environmental awareness moderates the impact of sustainable management practices on corporate reputation.
- ❖ **H5:** Environmental awareness moderates the impact of sustainable management practices on investor confidence.

As a result, the conceptual model provided in Figure 1 was used to depict these relationships. This provided an instrumental basis for applying the structural equation modelling approach to test these hypotheses, a methodological procedure that has been neglected in previous studies (Al Frijat et al., 2025: 8011; Hakim & Susanty, 2024: 1).

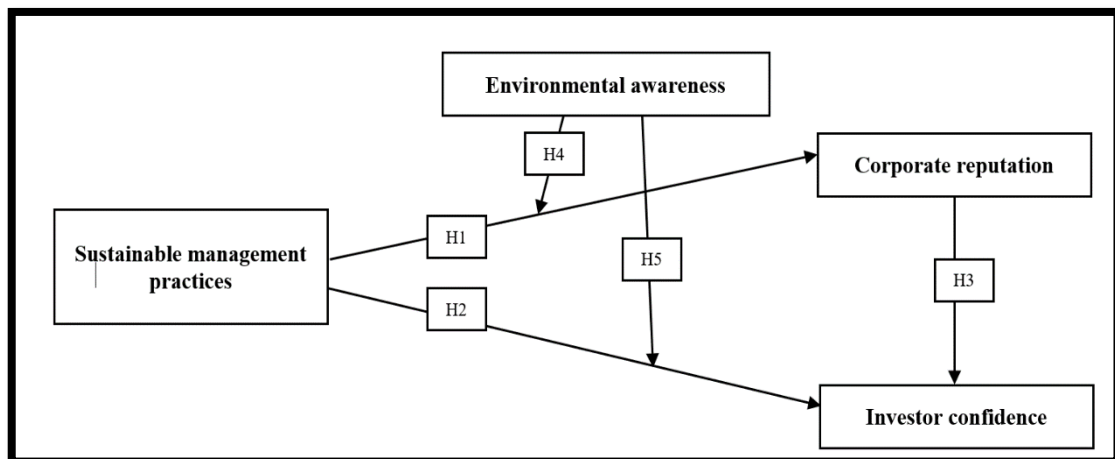


Figure (1). Conceptual model

3. Methodology

3-1. Research design: The moderating role of environmental awareness on the interactive effects of sustainable practices on reputation and investor confidence was examined using a quantitative approach involving structural equation modelling (SEM). Unlike simple regression analysis, a SEM approach was applied because of its ability to simultaneously examine these results whilst at the same time accounting for measurement error (Hair et al., 2021: 1). The second decision was motivated by the need to account for the latent variables (Hair et al., 2021: 1). Data were collected using a questionnaire that was distributed by hand to participating companies. Study participation was voluntary, and participants were informed of the study's purpose through a written informed consent form. No sensitive information was asked, and the information was treated with utmost confidentiality. The responses were processed using Microsoft Excel for further coding and analysis using Smart PLS 4, which helped to determine the pathways and underlying moderation effects.

3-2. Population and sampling: The study's population comprised industrial companies whose activities have either a direct or an indirect influence on sustainable management practices in KRG. Focusing on companies that underscore the significance of sustainable managerial practices helps capture their views and code them for further examination of how they impact other corporate and environmental dynamics. As a result, only industrial companies engaging in environmental awareness programs leading to sustainable management practices were selected. The included companies comprised manufacturing, food and beverage processing, energy-related industries, chemical and pharmaceutical industries, textile and light manufacturing, and other industrial activities. Though non-industrial companies like banks can fund environmental awareness programs, their activities have minimal effects on the environment, and their involvement in sustainable management practices is sometimes minimal. Hence, financial institutions and other non-industrial companies were excluded from the study. As a result, the study population comprised industrial company managers, investors, and accounting professionals, who were selected for their direct exposure to accounting practices, corporate reputation processes, and investment decision-making. The companies were randomly selected from a 2025 database provided by the Ministry of Commerce and Industry.

As per Jobst, Bader, and Moshagen (2023: 207), estimating an SEM requires a sample size of at least 200 cases to ensure adequate model stability and statistical power. However, to ensure there were no incomplete responses, we increased the target sample size to 300 respondents.

3-3 Data collection and measurement: The questionnaire was measured using a 5-point Likert scale (1=strongly disagree to agree 5=strongly) and was designed based on previously validated studies. The variable sustainable management practices were measured using 16 items adopted from a study by Burritt, Hahn and Schaltegger (2002: 43). Among the questions included in the questionnaire was the statement: "Our firm systematically incorporates environmental costs into financial reporting." Corporate reputation was measured using 12 items adopted from previously validated studies (Fombrun, Gardberg, & Sever, 2002: 150; Walsh & Beatty, 2007: 138). A sample of the questions asked included the question "Our firm is perceived as highly reputable by stakeholders". The variable investor confidence comprised 8 items, such as "I have high confidence in the firm's long-term investment prospects" (Bushman & Smith, 2001: 301; Healy & Palepu, 2001: 437). Environmental awareness was measured using 12 items, including the question "I consider environmental performance an important factor when evaluating a firm" (Dunlap et al., 2000: 434). Common method bias was assessed in the survey responses. Potential bias was detected using Harman's single-factor test and the Variance Inflation Factor (VIF), which also helped test for multicollinearity. The data were screened for missing values, and none were found.

3-4 Data Analysis and Tests: The processed data were tested using Smart PLS 4 because of its ability to handle complex models. The process first involved using a factor analysis approach to determine which factors were related and loaded into the latent variable by selecting items with factor loadings of at least 0.70 (Hair et al., 2021: 17). The study then proceeded to test the proposed hypotheses using a path analysis approach. The reliability of the model was evaluated using the Cronbach's alpha and the composite reliability tests, which both demand values of at least 0.70 to yield reliable estimates (Hair et al., 2021: 17). The while the Average Variance Explained (AVE), which uses a 0.5 cut-off was adopted to assess the model's convergent validity, discriminant validity was determined using the

heterotrait-monotrait (HTMT) ratio, which demands the variables correlations not to exceed 0.90 to achieve validity (Hair et al., 2021:17).

3-5. Model fit tests: The model's fit was evaluated using the Standardised Root Mean Square Residual (SRMR), which conditions a value of less than 0.08 as indicating a better fit (Hair et al., 2021:18). This was supported by the Chi-square test and the Normed Fit Index (NFI) through which a significant value and values exceeding 0.95 are considered as indicating a good fit (Hair et al., 2021:18). d_{ULS} (the squared Euclidean distance) and d_G (the geodesic distance) were used to test the discrepancy between the covariances of the estimated and actual models (Hair et al., 2021:18).

4. Results

4-1. Demographic analysis architecture: The study's findings were estimated using 274 responses from 121 industrial company managers, 89 investors, and 74 accounting professionals (see Table 1). The findings provided a comprehensive view of how environmental awareness moderates the impact of sustainable management practices on companies' reputations and investor confidence in KRI. This is because they were drawn from 82 manufacturing, 61 food and beverage processing, 49 energy-related industries, 42 chemical and pharmaceutical, 28 textile and light manufacturing, and 22 other industrial activities. The respondents had a high level of professional experience, with 117 respondents having 5–10 years of experience and 113 having more than 10 years. Similar inferences can also be made about their academic levels, as evidenced by findings showing that 46.5% held bachelor's degrees, 38.7% master's degrees, and 14.8% doctorates or professional certifications.

Table (1): Demographic analysis

Variable	Category	Frequency	Percentage (%)
Respondent Type	Industrial company managers	121	42.6
	Investors	89	31.3
	Accounting professionals	74	26.1
	Total	274	100
Industrial Sector	Manufacturing (cement, steel, construction materials)	82	28.9
	Food and beverage processing	61	21.5
	Energy-related industries	49	17.3
	Chemical and pharmaceutical	42	14.8

	Textile and light manufacturing	28	9.9
	Other industrial activities	22	7.6
	Total	274	100
Work Experience	Less than 5 years	54	19.0
	5–10 years	117	41.2
	More than 10 years	113	39.8
	Total	274	100
Education Level	Bachelor's degree	132	46.5
	Master's degree	110	38.7
	Doctorate / Professional certification	42	14.8
	Total	274	100

4-2 Factor analysis: The factor analysis findings in Table 2 show that 10 SMP, 7 CR, 8 EA, and 5 IC items loaded together into their respective latent variables. Their VIF values were below 5, indicating no multicollinearity issues affecting the model estimation.

Table (2): Factor and VIF analysis

Variable	Factor Loading	VIF	Variable	Factor Loading	VIF
SMP2	0.812	1.74	CR1	0.831	1.69
SMP3	0.845	1.92	CR4	0.854	1.88
SMP6	0.879	2.14	CR5	0.826	1.73
SMP7	0.803	1.67	CR6	0.872	2.05
SMP8	0.821	1.79	CR7	0.847	1.91
SMP9	0.866	2.08	CR9	0.809	1.64
SMP10	0.834	1.86	CR11	0.838	1.82
SMP11	0.798	1.59	ER1	0.814	1.71
SMP13	0.857	2.01	ER2	0.842	1.93
SMP15	0.823	1.77	ER3	0.869	2.12
IC3	0.846	1.95	ER5	0.801	1.62
IC4	0.878	2.19	ER7	0.833	1.84
IC6	0.862	2.06	ER10	0.856	1.99
IC7	0.809	1.68	ER11	0.823	1.76
IC8	0.871	2.15	ER12	0.847	1.90

NB: SMP: Sustainable management practices; Environmental awareness; CR: Corporate reputation; IC: Investor confidence

4-3. Reliability and validity: Table 3 shows that all the variables were highly reliable, as evidenced by Cronbach's alpha values ranging from 0.862

to 0.889 and composite reliability values ranging from 0.898 to 0.918. It can also be noted that AVE values exceeding 0.50 and 0.642 indicate that convergent validity was achieved.

Table (3): Reliability and validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Sustainable Management Practices (SMP)	0.884	0.912	0.673
Corporate Reputation	0.871	0.905	0.655
Investor Confidence	0.889	0.918	0.689
Environmental Awareness	0.862	0.898	0.642

Table 4's Fornell–Larcker criterion results indicate that the correlations were less than 0.90. This implies that discriminant validity was achieved. As a result, the study proceeded to examine the model fit.

Table (4): Fornell–Larcker Criterion

Construct	SMP	CR	IC	EA
SMP	0.820			
CR	0.61	0.809		
IC	0.58	0.64	0.830	
EA	0.47	0.51	0.49	0.801

4-4 Model fit: The estimated model was considered fit for explaining how environmental awareness moderates the effect of sustainable management practices on companies' reputation and investor confidence in KRI. Supporting this is an SRMR value of 0.058, which is less than the recommended threshold of 0.08. NFI also exceeded the 0.90 cut-off, and a significant chi-square value of 11.607 was obtained, indicating a good fit. R^2 shows that while 47% of the changes in R^2 corporate reputation were explained by SMP and AW, 53% of the changes in investor confidence were explained by SMP and AW. Having satisfied these criteria, we then interpreted the path and moderation analysis results.

Table (5): Model fit and predictive power

Indicator	Value	Recommended Threshold
SRMR	0.058	< 0.08
NFI	0.912	> 0.90

Indicator	Value	Recommended Threshold
Chi-square	11.607; p=0.000	< 0.001
R ² (Corporate Reputation)	0.47	Moderate
R ² (Investor Confidence)	0.53	Substantial
Q ² (Corporate Reputation)	0.29	> 0
Q ² (Investor Confidence)	0.34	> 0

4-5 Path and moderation analysis: The findings confirmed that sustainable management practices have a positive, significant impact on corporate reputation, as evidenced by a coefficient of 0.52. This confirms the stakeholder and legitimacy theory predictions and supports hypothesis 1. This finding mirrors studies conducted by Branco and Rodrigues (2006: 111) in developed economies. The findings also support Michelon Pilonato and Ricceri's (2015: 60) findings on emerging economies, whilst at the same time being extended to the KRI economy, where enforcement mechanisms are weak, and companies voluntarily adopt SMPs. Apart from this, the KRI has been highly characterised by a series of financial instability and uncertainty. This, therefore, implies that, instead of being used solely as a reporting or compliance exercise, sustainable management practices play an instrumental role in enhancing corporate reputation in post-conflict economies characterised by financial instability and uncertainty. In addition, sustainable management practices can help companies address their stakeholders' expectations for transparency and environmental responsibility, which align with propositions of stakeholder theory. In support of this notion, Mio, Panfilo and Blundo (2020: 1464) noted that considerable reputational gains are achievable when companies integrate sustainable management practices into their operations. In another instance, García-Sánchez et al. (2022: 1605) observed that economies with weak environmental gains were not as affected by poor reputational assessments and low-quality sustainability practices. The findings also show that improvements in SMPs significantly and directly increase investor confidence by 0.31. This shows that, when evaluating industrial companies' activities, non-financial metrics also play a crucial role. Most importantly, within the context of investment management, SMPs can signal to investors that the company's risk has declined, which, from a signalling perspective, indicates long-term competence and a desirable proactive approach to risk management. This is supported by Albuquerque et

al. (2020:805) findings, which indicate that companies with better SMPs are characterised by stable investment flows. In another study, Bui and Nguyen (2023:2) associated this finding with a reduction in information asymmetry, which further boosts investor confidence. Such findings play an instrumental role in the KRI, where investor protection mechanisms in the economy are still evolving.

Our findings further indicate that corporate reputation has a significant direct effect on investor confidence, underscoring the importance of utilising corporate reputation as another vital governance mechanism. In other words, reputation serves as a heuristic that companies in KRI utilise to assess their future performance, ethical standards, and ability to deliver goods and services reliably. This aligns with the RBV's view, which considers organisational reputation a vital, rare, and difficult-to-imitate resource that sustains the company's competitive edge in the market. Supporting studies also show that firm valuation and investor sentiment are significantly influenced by the company's reputation (Eberl & Schwaiger, 2019:1). In other studies, this is seen as a buffer against adverse investor choices during adverse situations (Li et al., 2021:1605). Where ESG standards are lacking in the KRI, improving reputation becomes a pivotal strategy for companies to secure investments.

Table (6): Structural path analysis results

Hypothesis	Path	β	t-value	p-value	Decision
H1	SMP \rightarrow CR	0.52	8.71	<0.001	Supported
H2	SMP \rightarrow IC	0.31	4.96	<0.001	Supported
H3	CR \rightarrow IC	0.41	6.83	<0.001	Supported

Our study's novelty lies in its ability to model the moderating effects of environmental awareness. Thus, unlike previous studies (Al Frijat et al., 2025:8011; Hakim & Susanty, 2024: 1), this study establishes that environmental awareness significantly moderates the impact of SMPs on both corporate reputation and investor confidence by 0.18 and 0.15, respectively, as shown in Table 7. From the perspectives of behavioural finance and cognitive evaluation theories, this entails that when stakeholders are aware of the need to safeguard environmental protection laws, they tend to incorporate environmental performance into their daily activities. To mirror this notion, Fatemi, Glaum, and Kaiser (2018:43) contend that companies tend to be highly sustainability-oriented when they have greater

ESG information. In another study, Raimo et al. argue that investors are significantly conditioned to respond to credibility reports of their SMPs when companies have a high level of environmental awareness (Raimo et al., 2024: 421). Given the considerable discrepancy in environmental awareness in the KRI, our study therefore explains why sustainability reporting does not always produce similar outcomes across different stakeholder contexts. Thus, this study provides a context-sensitive examination of the moderating effects of environmental awareness in post-conflict economies characterised by low enforcement capacity and economic instability.

Table (7): Moderation analysis of environmental awareness

Interaction Path	β	t-value	p-value	Result
SMP \times EA \rightarrow CR	0.18	3.27	0.001	Significant
SMP \times EA \rightarrow IC	0.15	2.89	0.004	Significant

5. Conclusion: This study's main emphasis was to deploy a structural modelling approach to examine the moderating impact of environmental awareness on the roles of SMPs in improving reputation and investor confidence in the KRI. This was achieved by modelling responses from 274 industrial company managers, investors, and accounting professionals collected from different industrial categories. This study positions SMPs as an institutional mechanism that companies use to promote trust, legitimacy, and credibility rather than as a standard disclosure activity. Our study advances the accounting and environmental management discourses by demonstrating how SMPs' orientation towards improving environmental management helps boost organisations' reputations and investors' confidence.

The integration of stakeholder, signalling, and legitimacy theories into a single empirical framework applicable to economies with weak sustainability enforcement practices advances the sustainability literature from a theoretical perspective. This suggests that these theories complement each other to provide a comprehensive view that explains the instrumental role of sustainability-oriented practices in driving corporate indicators. A notable contribution is the theoretical conceptualisation of corporate reputation as an active mechanism.

For policymakers, our findings suggest that market stability and investor confidence can be improved by promoting the adoption of SMPs,

even when the economy lacks proper, enforceable mechanisms. Therefore, mandating companies across industries to integrate SMPs, especially in environmentally sensitive sectors such as energy and manufacturing, becomes key to attracting investors and promoting acceptable business practices. Accounting professionals and managers must not only consider SMPS as a requirement for regulatory compliance but also as an instrument they can use to govern their operations strategically.

It is important to note that reputation and confidence tend to change with time. Hence, future studies may conduct longitudinal research to examine such changes over time, and this can be done across industries and in governorates such as Dohuk and Sulaimaniyah, which were excluded from the study. Comparative studies can also be used to improve this study's generalisations by comparing it with similar economies such as Lebanon, Jordan, and Iran. Adding other behavioural and cognitive moderators, such as sustainability literacy, can help broaden our understanding of companies' interpretations and valuations of SMPs.

Funding: It is recommended that environmental awareness programs and professional training for managers, accountants, and investors be strengthened. Enhancing awareness can amplify the positive effects of sustainable management practices on reputation and investor confidence. Regulators are also encouraged to gradually shift from voluntary sustainability adoption to structured guidelines or minimum reporting requirements, particularly in environmentally sensitive industries, to promote transparency, trust, and long-term market stability.

Conflicts of Interest: The authors declare no conflict of interest.

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