مجلة الشرق الأوسط للنشر العلمي
المجلد (٥) العدد (٣)
الإصدار السادس عشر
٢٠٢٢ (٢٦٤-٢٨٢)

Environmental, Social, Corporate Governance Disclosure and Financial Performance - Evidence from Palestine Exchange (PEX)

Prof. Yaser Shaheen
Faculty of Finance & Administration,
Palestine Ahliya University
Email: ***y.shaheen@paluniv.edu.ps***
Dr. Adnan Qubbaja
Faculty of Finance & Administration,
Palestine Ahliya University
Email: aqubbaja@paluniv.edu.ps
Published on: 18 Oct. 2022

Abstract

Researchers have been paying special attention within the framework of the green agreement for the environment and the green transformation of the business sector, and the important role that integrated disclosure of the environmental, social and governance dimension plays in enhancing the sustainability and financial performance of the Palestinian business sector. This study aimed to clarify the financial impact of applying these three dimensions of sustainability in the context of a developing country as Palestine. The study population consisted of all (49) companies listed in the Palestine Stock Exchange for the year 2021, a data set consisting of 1805 views was used throughout the year, fixed effect regression with robust standard errors was used for data analysis. Results showed that disclosures for social responsibility and corporate governance rules are positively related to financial performance, but environmental disclosures do not have a statistically

significant relationship, there is a positive and important relationship when sustainability disclosure is analyzed for the three dimensions combined. The study recommends investing in the integration of the three dimensions of sustainability disclosure together to enhance the sustainability and financial performance of Palestinian companies.

Keywords: Environmental Disclosure; Social Disclosure; Governance Disclosure; Financial Performance.

*** Introduction**

The topic of integrated disclosure of sustainability (environmental dimensions, social responsibility, and corporate governance) has received increasing attention from organizations, regulators and academics, especially after the announcement of the Environmental Agreement 2020, because of the critical role that disclosure is expected to play in enhancing the financial performance of companies. Reports users to evaluate and manage their goals effectively. Sustainability disclosure is “the practice of managing corporate impact on economic, social, and environmental issues for the purpose of identifying risks and opportunities that increasingly affect corporate success.” The Sustainable Development Goals (SDGs) were launched in 2015 to adopt global sustainability standards and provide businesses with a unified framework for sustainability reporting. (Shaheen, 2018).

The Palestine Securities Exchange issued guidelines on sustainability reports, aimed at increasing the awareness of listed companies of the importance of issuing sustainability reports, and they include an emphasis on integrated disclosure to enhance the company's reputation and brand loyalty, and to enable stakeholders to understand the true value of the company and easily compare companies' performance. The PSE Handbook on Sustainability focuses on three main issues: environmental (energy, water, and emissions), social (employment, decent work, human rights and society) and governance (board, transparency and fair labor practices). Whereas disclosure of sustainability in Palestine is voluntary, The IMF has argued that corporate reporting in Palestine is inconsistent and voluntary although it is improving over time, so financial reporting should not only focus on financial disclosure, but should provide stakeholders with additional and useful non-financial information to enhance the quality of the reports in order to attract new investors from abroad and loyal customers (Palestine Exchange, 2018).

Financial performance is an important indicator for evaluating management performance. Several studies have highlighted the role of sustainability disclosure in enhancing the financial performance of companies. (Zyadat, 2017) found that sustainability reporting is positively correlated with the company's financial performance at the Amman Stock Exchange. (Nizam et al, 2019) argued that on the Although there is a relationship between financial performance and social and environmental performance in non-financial companies, there is limited evidence for the banking sector, Burhan and (Rahmanty, 2012) claimed that only social disclosure has a positive impact on financial performance, while there is no clear evidence of an environmental impact. (Aggarwal, 2013) did not find any significant relationship between sustainability disclosure and company performance, and suggested exploring the sub-dimensions of corporate sustainability to get clear results for the relationship between them.

*** Study problem**

Mixed results and the lack of empirical studies on the role of sustainability disclosure in enhancing financial performance in developing countries, this study is a stimulus to study and explore this relationship in the Palestine Exchange, through the data of the (49) listed companies, as the study of the sub-dimensions Sustainability in all sectors will provide clearer results. The findings of this study are useful to stakeholders, investors, and policy makers, and will enrich the literature and provide empirical evidence on how sustainability reporting impacts companies' financial performance, as well as helping senior management to justify their sustainability decisions and giving stakeholders a true picture of the benefits of sustainability practices.

*** General background on Palestine**

Palestine is one of the developing countries with a fragile economy as a result of political conditions and occupation, a scarcity of natural resources such as water and traditional energy sources. The Israeli occupation prevents the Palestinian Authority from exploiting even its natural resources, especially in areas classified as C under the Oslo and Paris Economic Agreements, so it depends on taxes in addition to foreign aid to cover its financial needs, revenues from taxes represent 80% of the total revenues of the general budget for the years (2015-2021) (General Budget Department, 2020). Despite these circumstances, Palestine is considered one of the attractive environments for local and foreign investments in the Middle East, especially from the Palestinian expatriate communities around the world. The statistics revealed by the Palestine Stock Exchange show that the market value of the shares owned by foreigners averaged about 36% during the years (2008-2019), these investors are from more than 60 nationalities.

The Palestinian government and the supervisory authorities of the Palestinian financial sector participated in many financial and non-financial reforms, especially the recent global financial crisis that began in 2008. Although the market value of shares in the Palestine Stock Exchange has decreased to a large extent and lost more than 20% of The value of the Al-Quds Index due to political conditions, financial crises and the recent Corona virus crisis, so the regulatory bodies issued a number of regulations in order to restore investors’ confidence in the capital market. It states that the adoption of sustainability reports, especially in the field of environment, social responsibility and corporate governance, which will give benefits to companies that include reducing business risks and enhancing growth opportunities, operational efficiency and increasing company profitability by reducing costs and rationalizing the exploitation of resources, and enhancing the company's reputation and brand to build a competitive advantage.

*** Theoretical framework**

1- Legitimacy Theory

The voluntary position has contributed to enhancing corporate disclosures and increasing their transparency and accuracy with regard to the preparation of financial statements, which may lead to greater acceptance by stakeholders and a society in which corporate values may increase dramatically (Siueia et al., 2019), companies are willing to meet the expectations of society and stakeholders By promoting disclosure of the dimensions of sustainability in which such companies may appear as attractive investment objectives (Gnanaweera & Kunori, 2018). Firms with social acceptance are expected to avoid social sanctions and will be able to secure the resources necessary to achieve their social and economic goals (Hazaima et al, 2017), so the survival of these firms depends on internal factors that cover the financial and non-financial resources of the firm (AlQudah et al, 2019). These resources are extremely important to ensure a series of operational activities in which benefits to shareholders are expected to increase. Company decisions must be based on acceptance of the environment and society. Companies need to legitimize their existence in order to be classified as socially efficient, active and qualified (Shaheen, 2019).

Companies that classified as environmentally committed are forced to increase their disclosure in many areas, especially on issues of sustainability (Ching et al, 2017). Therefore, sustainability disclosures are an effective tool through which companies can enhance their social acceptance. Increasing Sustainability Disclosures As a commitment to the proposed contract between companies and their surrounding environment, companies must use available resources in an efficient manner to achieve community goals without destroying the social expectations of stakeholders (Wasara & Ganda, 2019). Under the theory of legitimacy, companies may adjust their policies and strategies to ensure their acceptance by society, and establish effective channels of communication with society through the preparation of attractive reports, to achieve the terms of the contract signed between the company and the surrounding environment in a way that enhances the financial position of the company, and increases the expectations and wealth of shareholders (Ur Rehman et al. al, 2020).

2- Signaling theory

As a result of the lack of trust between owners and management, the problem of information inconsistency may appear, and some shareholders may inaccurately evaluate the performance of companies, managers may control the quality and quantity of published information and give an attractive picture of their activities in controlling the operations of their companies, and managers may increase sustainability disclosures To send a clear signal to others that they are committed to the community and are aware of their company's contribution to meeting the needs of the community (AlQudah et al., 2019), (Ballina et al, 2020) that companies may be willing to adopt many regulations and participate on several occasions to send a clear message to shareholders that they are carrying out their activities efficiently, this may have a positive impact on share prices and profitability, this conflict of interests between internal and external groups may motivate stakeholders to Evaluate the company's performance differently based on the level of its disclosures. Stakeholders may be tempted to increase their evaluation of some companies and decrease their evaluation of others based on levels of voluntary disclosure, so companies are incentivized to enhance and increase disclosures related to sustainability issues to send a clear signal to stakeholders that these companies are socially committed in a way that makes their companies an attractive investment destination for those with a social preferential background (Xie et al, 2019).

*** Literature review and hypothesis development**

1- Environmental disclosure and corporate performance

The importance of environmental disclosure has increased dramatically since the interests of stakeholders have moved from traditional aspects to environmental and social issues, and stakeholder preferences have been modified to focus on operational impacts on the environment. Keeping CO_2 emissions to a minimum has not been effective to improve company performance within greenhouse companies. For example, (Wasara and Ganda, 2019) documented a weak impact of environmental disclosures on the performance of mining companies listed on the Johannesburg Stock Exchange. (Al-Damasheh, 2019) believes that among the multiple dimensions of sustainability, the environmental part was not effective in enhancing the financial performance of companies in the Amman Stock Exchange.

Polay (2019) reports that discussion is necessary to explore the reasons behind the insignificant role of environmental aspects in maximizing shareholder expectations regarding the financial performance of their companies. Tien et al (2020) argue that the non-financial aspects covering environmental disclosures should be efficiently accepted and understood by managers in Vietnam in a way that facilitates their improvements in financial performance, and the Iraqi market has evidence that the impact of environmental disclosure on Iraqi hotels was more pronounced compared to the sustainability aspects. other. Conclusion: A high level of environmental disclosure (such as gas emissions, water consumption, and pollution levels) may play a significant role in supporting stakeholder confidence in corporate activities, which in turn may enhance corporate financial performance. Companies need to prepare sustainability reports that meet stakeholder expectations and enhance performance. company's financials. Based on the previous discussion, the following hypothesis was adopted:

H1: There is a positive correlation between environmental disclosure and financial performance.

2- Social disclosure and corporate performance

Social disclosure is an important part of sustainability reports that cover several aspects, such as human rights and working conditions. Companies sign contracts with their environments to follow a clear set of steps related to their commitment to society (Hardiningsih et al, 2020). Banking disclosures in the GCC countries were found to be Al-Khaliji was effective enough to enhance the financial performance of the banking sector, (Shaheen, 2019) found a positive relationship between disclosure of social responsibility and the financial performance of companies listed on the Palestine Exchange, (Al-Hadi et al, 2019) refute the previous results by providing new evidence from the Australian market, with As companies mature, their financial performance may not be affected by social disclosures. The proposed positive impact of sustainability disclosure was not as noticeable as expected, as a negative correlation was documented between the social aspects of sustainability and financial performance (Laskar, 2019). Social concepts of the sustainability framework are very important in facilitating the acceptance of companies as active players in society. Therefore, improving the quality of social aspects may achieve stakeholder objectives by improving the financial performance of companies. This study adopts the following hypothesis:

H2: There is a positive correlation between social disclosure and financial performance.

3- Disclosure of corporate governance and performance

Corporate governance as a roadmap for controlling and monitoring the activities and decisions of the board of directors in relation to financial and non-financial operations, effective levels of governance disclosure may send a clear signal to stakeholders that companies are doing well in terms of maximizing shareholder wealth (AlQudah et al, 2019). Governance disclosure may increase the transparency of published information, reduce the interest gap between interest groups in the company, (Rajesh, 2020) found that the performance of Indian companies has improved significantly as a result of increased pillars of sustainability disclosure, specifically in governance issues, and reported the positive effects of disclosure On governance in the reflection of the actual performance of companies.

Based on data extracted from one hundred US companies, Hussain et al (2018) find weak evidence of the role of governance disclosure in enhancing corporate performance, (Uwuigbe et al, 2018) supported the conclusion by documenting a negative association between governance disclosure and financial performance in Nigerian companies, the research showed Previous Mixed results, this discrepancy in the results may be attributed to various reasons, such as levels of awareness in terms of disclosure of sustainability and the characteristics of the financial market, disclosure of governance is expected to enhance the performance of the company, (Shaheen and Jaradat, 2019) and through a study on the Palestinian insurance sector it was found There is a statistically significant relationship between the application of corporate governance principles and the financial performance of insurance companies, this study adopted the following hypothesis:

H3: There is a positive correlation between governance disclosure and financial performance.

*** Research design**

The study population consisted of all companies listed on the Palestine

Stock Exchange during the period (2009-2021), the recommended sustainability disclosures were applied from all sectors to the listed companies, 2105 notes were included on an annual basis, as shown in Table No. (1), they were excluded 215 observations because data related to environmental, social and governance disclosures were not available, and 85 other observations were excluded due to missing financial data, so the final sample consisted of 1805 observations.

Table 1. Sample selection criteria

Description	Number of observations
All firms listed on the ASE from 2009 to 2018	2105
Less: missing environmental data	(105)
Less: missing social data	(65)
Less: missing governance data	(45)
Less: missing financial data	(85)
Final sample	**1805**

Return on assets (ROA) was used as an indicator to measure the financial performance of companies, measured as the ratio of net income after tax divided by total assets, sustainability disclosure was measured using ESG disclosures, and environmental disclosure was measured (ENV.DIS) using an aggregated score of seven variables , Social Disclosure (SOC.DIS) using an aggregate score of thirteen variables, and Corporate Governance Disclosure (GOV.DIS) using an aggregate score of eight variables, with the number 4 Each single variable is coded if the company meets PSE requirements for disclosures and zero otherwise . A company with a high percentage indicates a high-quality disclosure.

Firm size and leverage were also controlled, because such variables may have an effect on the correlation between dependent and independent variables. Company size (SIZE) was measured by total assets at the end of the year. Leverage (LEV) is measured by the ratio of total debt to total equity. Table (2) summarizes the variables of this study and how they are measured.

Table 2. Summary of variables and their measurements

Description	Variable name	Measurement	Exp. sign
Dependent variable:			
ROA	Return on assets	The ratio of net income to	
		total assets	
Independent variables:			
ENV.DIS	Environmental disclosure	An aggregated score of seven	+
		variables	
SOC.DIS	Social disclosure	An aggregated score of	+
		thirteen variables	
GOV.DIS	Governance disclosure	An aggregated score of eight	+
		variables	
Control variables:			
SIZE	Firm size	The total assets at the end	+
		of year	
LEV	Leverage	The ratio of total debt to total	-
		equity	

The following regression equation was used to examine the association between sustainability disclosures and financial performance: ROAit ¼ β0 þ β1ENV: DISit þ β2SOC: DISit þ β3GOV: DISit þ β4SIZEit β β5LEVit þ β6MLSit þ εit(1)

*** Hypothesis testing and discussion of results**

Table No. (3) shows the variables of the current study from (2009-2021). The financial performance of the companies listed on the Palestine Stock Exchange was relatively low, as the average return on assets was about 4%, as in neighboring markets also such as Jordan (Al-Akra and Ali, 2012), and a study (Darada and Ajlouni, 2013), as well as Jaafar and (Shawwa, 2009). The negative results of the recent global financial crisis that began in 2008, the Arab Spring that began in 2011 and the Corona virus crisis 2020, may lie behind this weak performance of Arab and global markets.

Table 3. Descriptive statistics

Variables	Observations	Mean	Median	Min	Max
ROA	1805	0.021	0.012	−1.015	1.278
ENV.DIS	1805	0.330	0.285	0.000	0.857
SOC.DIS	1805	0.342	0.303	0.000	0.833
GOV.DIS	1805	0.344	0.250	0.125	0.875
SIZE *(in million $US)*	1805	203.60	201.9	0.137	8300
LEV	1805	0.742	0.270	0.147	2.189

All variables are defined in Table 2.

The companies listed on the Palestine Stock Exchange have a moderate level of sustainability disclosures, as shown in Table No. (3), and the means of environmental, social and governance disclosures are about 33%, 34% and 34%, respectively. This indicates that sustainability disclosure in the Palestinian context is acceptable, especially when compared to the contexts of other developing countries. Sustainability disclosure is reported to be around 9% in South Africa and 5% in Pakistan (Ur Rehman et al, 2020), (Wasara & Ganda, 2019), the disclosure percentages of the companies listed on the Palestine Exchange categorized by disclosure indicators at the minimum, and these indicators include the injury rate, fair work practice, the amount of direct energy used, and the primary energy source. Table No. (3) shows that the recorded average values of the company's size and financial leverage are about (203) million and 74%, respectively.

Table 4. Correlation matrix

Variables	ROA	ENV.DIS	SOC.DIS	GOV.DIS	SIZE	LEV	
ROA	1.000						
ENV.DIS	0.064*	1.000					
SOC.DIS	0.170*	0.285*	1.000				

GOV.DIS	0.050*	−0.003	0.307*	1.000			
SIZE	0.226*	0.234*	0.450*	0.217*	1.000		
LEV	0.020*	0.208*	0.210*	0.086*	0.382*	1.000	

The symbol (*) denotes significance at 1 percent in two-tailed test.

All variables are defined in Table 2.

Table 4 shows the correlation matrix for variables, that the highest correlation recorded is 45% between social disclosure (SOC.DIS) and company size (SIZE). Compared to smaller companies, large companies seem to be more interested in disclosing social information. However, the problem of multiple collinearity does not raise concerns about the results of the current study.

The study also verified other assumptions of regression analysis, after performing the Breusch-Pagan test for homosexuality and skewness and kurtosis for normality, the data appeared to violate these two assumptions, so the Durbin-Watson d statistic was used to test for serial correlation, the result indicates that the assumption is met No serial correlation, however strong standard errors were used in the current study to control for the violated assumptions of the regression analysis, ie homeopathy and normality.

Table No. (5) shows the results of the fixed effect regression with strong standard errors of the correlation between sustainability disclosures and financial performance. The results show a positive and significant correlation ($p < 0.01$) between social disclosure and corporate financial performance, which indicates that any increase in social disclosure leads to an increase the level of financial performance of companies measured by return on assets. The justification is that the disclosed information regarding social aspects is viewed favorably by individuals as well as organisations. This information includes non-discrimination, gender diversity, child labor, human rights policy, health, and donations. So, hypothesis H2 was accepted.

Table 5: The association between sustainability disclosures and ROA

Variables	Coefficient	T-value	Probability
ENV.DIS	0.220	1.04	0.291
SOC.DIS	1.636	7.06	*0.000*
GOV.DIS	1.772	6.05	*0.000*
SIZE	1.750	2.33	*0.018*
LEV	−0.008	−2.41	*0.014*
Constant	−1.428	−10.46	*0.000*
Adjusted R^2	**16.62**		
No. of observations	**1805**		

Notes: This table presents the results of fixed effect regression of the association between sustainability disclosures and ROA. The sample comprises 1,700 firm-year observations of firms listed on the PSE from 2009 to 2021. The dependent variable is (ROA). Independent and control variables are defined in Table 2.

This study also suggests that the level of governance disclosure may be related to improvements in the company's ability to maximize its financial performance. The results presented in Table (5) support this suggestion and show a positive and significant correlation ($p < 0.01$) between governance disclosure and return on assets. This result is consistent with what is stated in the literature that companies with a high-quality governance structure are better able to raise funds and attract investors, and thus improve their financial performance. In this study there is an acceptable level of governance disclosures, such as board separation of powers, code of ethical conduct, and tax transparency. Also, corporate boards that include a high level of board independence and a non-dual leadership structure are more able to put pressure on management to disclose required governance information, thus increasing the confidence of investors and other stakeholders. Based on these results, the H3. hypothesis was accepted.

Table No. (5) shows a positive but insignificant correlation between environmental disclosures and the return on assets, which indicates that the financial performance is not affected by the level of environmental disclosure, perhaps because it is not possible to disclose all aspects of environmental issues by companies listed on the Palestine Exchange, the value The averages recorded for energy intensity, primary energy source and waste management are 4%, 5%, and 13%, respectively. For example, the banking and insurance sectors are less likely to possess such information, which in turn may lead to this insignificant correlation between environmental factors and corporate performance, and thus hypothesis H1 was rejected.

Table 5 also shows the results for the control variables. He found that firm size is positively and significantly correlated with return on assets. Such a correlation is highly expected based on the argument that larger firms are more able, compared to smaller firms, to make profits because of the assets, resources, and business connections they possess. Finally, leverage is negatively correlated with return on assets, which indicates that a highly leveraged company is unlikely to boost its reported earnings over the years. To reinforce the results of the study in Table (5), two additional tests were conducted.

First, Tobin's Q was used as an alternative measure of financial performance, which is measured by the ratio of the market value of a company's stock divided by its book value. Table (6) shows the results of the fixed-effect regression with strong standard errors for the correlation between the sustainability disclosures and Tobin's Q. As shown in the table, the coefficients and T-values for all variables are increased and the adjusted R2 is also increased.

Table 6. Regression results of the association between sustainability disclosures and Tobin’s Q

Variables	Coefficient	T-value	Probability
ENV.DIS	0.336	1.40	0.150
SOC.DIS	1.790	7.62	0.000
GOV.DIS	2.460	7.44	0.000
SIZE	2.810	3.32	0.001
LEV	−0.010	−3.20	0.001
MLS	0.132	3.80	0.000
Constant	−1.850	−12.05	0.000
Adjusted R^2	**20.80**		
No. of observations	**1805**		

Notes: This table presents the results of fixed effect regression of the association between sustainability disclosures and Tobin’s Q. The sample comprises 1,805firm-year observations of firms listed on the PSE from 2009 to 2021. The dependent variable is Tobin’s Q, which is measured by the ratio of market value of a firm’s equity divided by its book value. Independent and control variables are defined in Table 2.

Social disclosure and governance disclosure remain positively and significantly correlated with Tobin Q. While the magnitude of the coefficient and T value of environmental disclosure has increased, the correlation remains unobserved with corporate financial performance. With regard to control variables, the same significance and direction were reported. Applying an alternative measure of financial performance yields similar results, indicating that the results are not biased by using return on assets as an indicator of financial performance.

Social disclosure and governance disclosure remain positively and significantly correlated with Tobin Q. While the magnitude of the coefficient and T value of environmental disclosure has increased, the correlation remains unobserved with corporate financial performance. With regard to control variables, the same significance and direction were reported. Applying an alternative measure of financial performance yields similar results, indicating that the results are not biased by using return on assets as an indicator of financial performance.

Second: The coordination of aggregate scores for sustainability disclosures was adopted instead of analyzing the individual impact of environmental, social and management disclosures on the financial performance of companies, because the overall score may help determine whether the sustainability disclosures work better individually or collectively, so a score was created Pooled of 28 variables regarding ESG disclosures by calculating the percentage of company dummy variables that meet the sustainability disclosures.

Table 7. Regression results of the association between the aggregated score format of sustainability disclosures and Tobin's Q

Variables		Model One		Model Two
	Coefficient	T-value	Coefficient	T-value
DIS.SCORE	3.422	10.41***	3.888	10.46***
SIZE	1.800	2.42**	3.020	3.59***
LEV	−0.001	−2.74***	−0.002	−3.58***
Constant	−1.368	−11.05***	−1.627	−11.63***
Adjusted R^2	21.9		26.8	
No. of observations	1805		1805	

The symbols (**) and (***) denote significance at 5 and 1 percent, respectively, in two-tailed test.

Notes: This table presents the results of fixed effect regression of the association between the aggregated score format of sustainability disclosures (DIS.SCORE) and financial performance. In model one, financial performance is measured by ROA. In model two, financial performance is measured by Tobin's Q. The sample comprises 1805firm-year observations of firms listed on the PSE from 2009 to 2021. Independent and control variables are defined in Table 2.

Table No. (7) shows the results of the correlation between the coordination of the aggregated result for disclosing sustainability and financial performance using two models, the first measures performance by return on assets and the second measures performance by Tobin Q, a positive and significant correlation was found between them in both models, which indicates that Sustainability disclosures work better collectively, which in turn increases the financial performance of companies, possibly because the three dimensions of sustainability disclosure are complementary to each other to enhance performance.

*** Summary and conclusion**

The issue of integrated disclosure of the three dimensions of sustainability (environmental dimensions, social responsibility, and corporate governance) has received increasing attention from listed companies, regulatory bodies and academics, especially after the announcement of the Environmental Agreement 2020, due to the critical role that disclosure is expected to play in promoting sustainability. The financial performance of companies. Previous research provides mixed results about the relationship between environmental and social disclosures, corporate governance and financial performance. Therefore, this study may contribute to the literature by providing new evidence on this link from the Palestinian capital market. A panel data set consisting of 1805 observations over a year was investigated for companies listed on the Palestine Stock Exchange. Sustainability disclosure was measured using an index consisting of 28 components: 7 for structure, 13 for social responsibility, and 8 for corporate governance.

The results showed that social and governance disclosures are positively and significantly associated with financial performance, these results were confirmed using an alternative measure of financial performance (such as Tobin's Q) in addition to examining the coordination of the aggregate score for sustainability disclosures, rather than analyzing the individual impact of each dimension separately, indicating that Disclosure of sustainability may create an incentive for individuals and organizations to engage more with the company, which in turn leads to improved profits. It was found that environmental disclosure is not significantly related to financial performance, because some sectors in the Palestine Exchange, such as the banking sector and insurance companies, are less prone to environmental problems compared to other sectors, which must be disclosed in the annual reports of companies, so the study recommends that work be done by companies The Palestinian Authority and the supervisory authorities on integrating the dimensions of sustainability disclosure with each other to enhance the financial performance of companies. Regulators and standard setting supervisors also need to consider differences between sectors in terms of the nature of the work. A standardized form of sustainability disclosure may not be appropriate for all sectors, so separate coordination for each group of sectors with the same distinctive characteristics may be more beneficial.

*** References**

Aggarwal, P. (2013). Impact of sustainability performance of company on its financial performance: A study of listed Indian companies. Global Journal of Management and Business Research (C: Finance), 13(11), 60-70

Al-Akra, M., & Ali, M. J. (2012). The value relevance of corporate voluntary disclosure in the Middle-East: The case of Jordan. Journal of Accounting and Public Policy, 31(5), 533–549

Al-Dhaimesh, O. H. (2019). The effect of sustainability accounting disclosures on financial performance: An empirical study on the Jordanian banking sector. Banks and Bank Systems, 14(2), 1. https://doi.org/10. 21511/bbs.14(2).2019.01

Al-Hadi, A., Chatterjee, B., Yaftian, A., Taylor, G., & Monzur Hasan, M. (2019). Corporate social responsibility per-formance, financial distress and firm life cycle :Evidence from Australia. Accounting & Finance, 59(2), 961–989. https://doi.org/10.1111/acfi.12277

AlQudah, A. M., Azzam, M. J., Aleqab, M. M., & Shakhatreh, M. Z. (2019). The impact of board of directors characteristics on banks performance: Evidence from Jordan. Academy of Accounting and Financial Studies Journal, 23(2), 1–16.

Ballina, F. J., Valdes, L., & Del Valle, E. (2020). The signal-ling theory: The key role of quality standards in the hotels performance. Journal of Quality Assurance in Hospitality & Tourism, 21(2), 190–208. https://doi.org/ 10.1080/1528008X.2019.1633722 Management Journal, 29(12), 1325–1343. https://doi.org/10.1002/smj.714

Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. Management of Environmental Quality: An International Journal, 30(1), 98–115. https://doi.org/10. 1108/MEQ-12-2017-0149

Burhan, A. H. N., & Rahmanti, W. (2012). The impact of sustainability reporting on company performance. Journal of Economics, Business, and Accountancy | Ventura, 15(2), 257–272. https://doi.org/10.14414/jebav.v15i2.79

Ching, H. Y., Gerab, F., & Toste, T. H. (2017). The quality of sustainability reports and corporate financial perfor-mance: Evidence from Brazilian listed companies .SAGE Open, 7(2), 2158244017712027. https://doi.org/10.1177/2158244017712027

Daradkah, D. A., & Ajlouni, M. (2013). The effect of cor-porate governance on bank's dividend policy: Evidence from Jordan. Australian Journal of Business and Management Research, 3(1), 30–39. http://ajbmr. com/articlepdf/aus-29-66i01n3a4.pdf

Gnanaweera, K., & Kunori, N. (2018). Corporate sustain-ability reporting: Linkage of corporate disclosure information and performance indicators. Cogent Business & Management, 5(1), 1423872. https://doi.org/10.1080/23311975.2018.1423872

Hardiningsih, P., Januarti, I., Yuyetta, E. N. A., Srimindarti, C., & Udin, U. (2020). The effect of sus-tainability information disclosure on financial and market performance: Empirical evidence from Indonesia and Malaysia. International Journal of Energy Economics and Policy, 10(2), 18–25. https:// doi.org/10.32479/ijeep.8520

Hazaima, H., Low, M., & Allen, J. (2017). Impact of cor-porate social responsibility disclosures on financial performance–a Jordanian case study. International Journal of Critical Accounting, 9(5–6), 433–459. https://doi.org/10.1504/IJCA.2017.090585

Hussain, N., Rigoni, U., & Cavezzali, E. (2018). Does it pay to be sustainable? Looking inside the black box of the relationship between sustainability performance and financial performance. Corporate Social Responsibility and Environmental Management, 25(6), 1198–1211.
https://doi.org/10.1002/csr.1631

Jaafar, A., & El-Shawa, M. (2009). Ownership concentra-tion, board characteristics and performance: Evidence from Jordan. Research in Accounting in Emerging Economies, 9(1), 73–95. doi:10.1108/ S1479-3563(2009).

Laskar, N. (2019). Does sustainability reporting enhance firms profitability? A study on select companies from India and South Korea. Indian Journal of Corporate Governance, 12(1), 2–20. https://doi.org/10.1177/0974686219836528

Rajesh, R. (2020). Exploring the sustainability performances of firms using environmental, social, and governance scores. Journal of Cleaner Production, 247(1), 119600. https://doi.org/10.1016/j.jclepro.2019.119600

Shaheen, Y, "Social Responsibility Practices & Reporting in Palestine", International Journal of Economics, Business and Management Research. Vol. 4, No. 07; 2020.

Shaheen, Y & Jaradat, N. "Corporate Governance Impact on Insurance Firm's Performance.
The Case of Palestine", International Journal of Academic Research in Accounting, Finance and Management Sciences,Vol. 9, No.3, July 2019, pp. 201–210. E-ISSN: 2225-8329, P-ISSN: 2308-0337.

Siueia, T. T., Wang, J., & Deladem, T. G. (2019). Corporate social responsibility and financial performance: A comparative study in the Sub-Saharan Africa banking sector. Journal of

Cleaner Production, 226(20), 658–668. https://doi.org/10.1016/j.jclepro.2019.04.027

Tien, N. H., Anh, D. B. H., & Ngoc, N. M. (2020). Corporate financial performance due to sustainable develop-ment in Vietnam. Corporate Social Responsibility and Environmental Management, 27(2), 694–705. https://doi.org/10.1002/csr.1836

Ur Rehman, Z., Zahid, M., Rahman, H. U., Asif, M., Alharthi, M., Irfan, M., & Glowacz, A. (2020). Do cor-porate social responsibility disclosures improve financial performance? A perspective of the Islamic banking industry in Pakistan. *Sustainability*, *12*(8), 3302. https://doi.org/10.3390/su12083302

Uwuigbe, U., Teddy, O., Uwuigbe, O. R., Emmanuel, O., Asiriuwa, O., Eyitomi, G. A., & Taiwo, O. S. (2018). Sustainability reporting and firm performance: A bi-directional approach. *Academy of Strategic Management Journal*, *17*(3), 1–16. https://www.aba-cademies.org/articles/Sustainability-reporting-and-firm-performance-1939-6104-17-3-222.pdf

Wasara, T. M., & Ganda, F. (2019). The relationship between corporate sustainability disclosure and firm financial performance in Johannesburg Stock Exchange (JSE) listed mining companies. *Sustainability*, *11*(16), 4496. https://doi.org/10.3390/su11164496

Xie, J., Nozawa, W., Yagi, M., Fujii, H., & Managi, S. (2019). Do environmental, social, and governance activities improve corporate financial performance? *Business Strategy and the Environment*, *28*(2), 286–300. https://doi.org/10.1002/bse.2224

Zyadat, A. A. H. (2017). The impact of sustainability on the financial performance of Jordanian Islamic banks. *International Journal of Economics and Finance*, *9*(1), 55–63. https://doi.org/10.5539/ijef.v9n1p55- Palestine Stock Exchange data, 2018. www. pex.ps.