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Evaluating the sustainability reporting of oil and gas companies in post-conflict regions: the case of Kurdistan

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Abstract

Purpose – This study evaluates the sustainability reporting of oil and gas companies in discharging accountability to powerless stakeholders in the Kurdistan Region of Iraq (KRI), a post-conflict region in the Middle East and North Africa (MENA).

Design/methodology/approach – The study draws on stakeholder theory and adopts an interpretivist approach. Data comprise 21 semi-structured interviews with citizens, tribal leaders, Mukhtars, and local workers, alongside seven sustainability reports, published in 2023, by foreign oil companies operating in the KRI. The interview data are thematically analysed, while reports are assessed using a disclosure quality index and word count.

Findings – Post-2007 oil-led economic reforms were intended to bring prosperity to a post-conflict region but have instead resulted in social, economic, and environmental costs. Weak institutional oversight allows local and foreign oil companies (LOCs and FOCs, respectively) to prioritise economic interests over the sustainability concerns of powerless stakeholders. LOCs fail to engage in sustainability reporting, while FOCs conduct minimal, if any, local stakeholder engagement; their reports lack relevance to KRI-specific issues, highlighting an accountability gap and growing frustration among local stakeholders.

Practical implications – Policymakers and regulators should mandate sustainability reporting that ensures alignment with high-quality international standards and better reflects local sustainability needs. Standard-setters, such as the GRI and the ISSB, should consider issuing guidelines to ensure that sustainability reports address local stakeholder concerns. Practitioners, including sustainability report preparers and assurance professionals, should ensure that the voices and concerns of powerless stakeholders are reflected in sustainability disclosures.

Originality/value – This research extends previous studies by examining sustainability reporting in a post-conflict region, MENA, which has been less documented in the literature.

Keywords Oil and gas, Sustainability reporting, Stakeholder engagement, Kurdistan, Post-conflict region

Paper type Research article

1. Introduction

The sustainability reporting literature has focused mainly on the state of the practice in developed Western countries (Tauringana, 2021). In contrast, developing countries, characterised by a unique set of political, economic, social, technological, and environmental attributes (Tilt, 2018),

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have received relatively less academic attention. While this trend is changing (Al Mahameed *et al.*, 2021; Osman *et al.*, 2021; Thoradeniya *et al.*, 2022), there remains a need for more academic effort in understanding corporate sustainability reporting in post-conflict regions [1], where such challenges are often intensified (Morrison *et al.*, 2024).

Prior studies note that corporations often use sustainability disclosures to maintain legitimacy and manage stakeholder perceptions, as opposed to promoting transparency, accountability, and genuine stakeholder engagement and dialogue (Khan *et al.*, 2020; Lauwo *et al.*, 2020). This trend is particularly evident in developing countries, where multinational corporations operate in extractive industries, contributing to significant social, environmental, and economic damage (Noah *et al.*, 2024). Oil and gas companies face increasing scrutiny in such regions due to their substantial environmental and social footprints (Elsayed and Ammar, 2020), which often exacerbate the vulnerability of powerless stakeholders and diminish their capacity to voice their concerns (Belal *et al.*, 2015; Hassan, 2023; Noah *et al.*, 2021). Vulnerable groups are often politically and economically marginalised and excluded from decisions that directly affect them (Brown, 2013). Belal *et al.* (2015) state that local communities have limited influence and lack the power needed to hold companies accountable for their actions.

Given these dynamics, scholars have emphasised the need to focus on powerless stakeholders, such as local communities within specific contexts and affected by certain industries, to gain deeper insights into the relationship between corporate disclosure practices and powerless stakeholders (e.g. Amos, 2023; Hassan, 2023; Lauwo *et al.*, 2020; Qian *et al.*, 2021). Considering these calls for further research, this study seeks to answer the following research question:

RQ. To what extent do the sustainability reporting practices of oil and gas companies discharge accountability to powerless stakeholders in a developing country?

The Kurdistan Region of Iraq (KRI) offers a distinctive setting to explore these dynamics. As a semi-autonomous, resource-rich, emerging economy navigating post-conflict reconstruction, the KRI relies heavily on oil and gas, which account for over 90% of government revenue (Khudir, 2021). The region faces weak environmental regulation and limited accountability mechanisms (Hassan *et al.*, 2023), making it an ideal setting to explore the tension between international financial interests and local sustainability concerns. Data were collected from 21 semi-structured interviews with local stakeholders, including local citizens, tribal leaders, Mukhtars [2], and local workers employed by oil and gas companies. In addition, seven sustainability reports published in 2023 by foreign oil and gas companies were analysed using a disclosure quality index and word count analysis.

This study draws on stakeholder theory, which emphasises the varying degrees of power and influence among different stakeholder groups and the contextual nature of accountability (Mulgan, 2000). For this study, accountability is used within the context of sustainability reporting to those who lack power and influence. Kurdish local stakeholders represent one such group, as they are less powerful in terms of influencing local and foreign oil companies (LOCs and FOCs, respectively), but are directly and significantly affected by their operations. They are politically and economically marginalised (Belal *et al.*, 2015) and excluded from decision-making processes (Adger, 2006). More specifically, we define powerless stakeholders as those KRI citizens who are disadvantaged groups lacking infrastructure and resources, with little power to cope with social and environmental changes over the last 2 decades. They are often the most affected by social and environmental degradation and have little or no ability or power to hold oil companies accountable for their actions.

The findings of this study reveal that LOCs and FOCs prioritise economic interests over stakeholder welfare, resulting in a lack of corporate accountability towards local stakeholders. LOCs fail to provide stakeholders with any form of sustainability reporting. Consequently, there is little local pressure on FOCs to improve their sustainability reporting. While FOCs claim to adhere to global standards like GRI, their reports lack meaningful local engagement and fail to address KRI-specific concerns.

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The contributions of this study are both academic and practical. Academically, it provides empirical evidence on sustainability reporting from a post-conflict region in MENA as a response to the call for more research on examining how country-specific socio-political and economic contexts influence sustainability reporting practices (Lauwo *et al.*, 2020; Qian *et al.*, 2021). The empirical contribution originates from a set of interview data that illuminates the voices and perspectives of powerless stakeholders in a post-conflict region (KRI) concerning corporate accountability. Such insights are essential but scarce within the current literature (Belal *et al.*, 2015). Practically, the findings offer insights for policymakers, corporate managers, and local stakeholders in the KRI and other developing countries. The study provides policymakers and regulators with recommendations on designing effective governance structures to address the social and environmental issues associated with the extractive industry. Regulatory bodies could develop frameworks to ensure greater accountability from LOCs and FOCs and promote accountability to the local stakeholders. The study also underscores the importance of participatory engagement and tailored sustainability disclosures that reflect the specific realities of host communities, aligning with the UN's Sustainable Development Goals (SDGs) on responsible production, inequality reduction, and environmental protection.

This paper is structured as follows: after the introduction, Section 2 presents a literature review and highlights the gaps in existing studies. Section 3 explores the theoretical framework. Section 4 provides background on the KRI context and its oil industry. Section 5 outlines the methods used in this study. Section 6 summarises the findings of the study. Section 7 is a discussion. The final section offers concluding thoughts, limitations, and future research ideas.

2. Literature review - MNC sustainability reporting in developing countries

The accountability environment in many developing countries is shaped by persistent governance failures, weak institutions, and limited regulatory enforcement, which severely undermine efforts to hold corporations accountable (Morrison *et al.*, 2024; Qian *et al.*, 2021). In resource-rich but politically fragile regions, such as post-conflict states, governments often adopt neoliberal investment policies and maintain a deferential stance toward MNCs (Lauwo *et al.*, 2016). These institutional weaknesses create permissive conditions in which MNCs can operate with limited social or environmental accountability (Noah *et al.*, 2024). Consequently, researchers have expressed growing dissatisfaction with the sustainability reporting of MNCs in developing countries (Baker *et al.*, 2023), arguing that, far from promoting transparency and accountability, such disclosures, based on international practices, fail to address the concerns of local stakeholders resulting from the adverse effects of their operations, and instead exacerbate the vulnerabilities of marginalised communities and their environments (Morrison *et al.*, 2024; Noah *et al.*, 2021).

Sustainability reporting in resource-rich, post-conflict, and institutionally fragile contexts reflects corporate performance across environmental, social, and economic dimensions (Hassan *et al.*, 2022). Economic impacts relate to employment generation, local development, and distributive justice; social impacts address health, education, displacement, and cultural disruption; and environmental impacts include resource depletion, pollution, and biodiversity loss (Belal *et al.*, 2015).

Despite its broad scope, sustainability reporting is often implemented through structured frameworks (e.g. GRI), narrative strategies, and selective stakeholder engagement (Amos, 2023; Morrison *et al.*, 2024). For example, Morrison *et al.* (2024) linked the environmental accountability challenges of FOCs in Iraq to cultural misalignments with Western reporting frameworks, arguing that these practices often lack local relevance. However, their study offers limited analysis of how reports address communities' social and economic needs. In contrast, this study provides a more comprehensive evaluation by examining how LOCs and FOCs discharge accountability across social, economic, and environmental aspects, focusing on powerless stakeholders in the KRI.

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There is also a growing scholarly focus on corporate accountability to local communities (Beddewela and Herzig, 2013). Previous studies, such as Qian *et al.* (2021) and Belal *et al.* (2015), emphasise the importance of context-sensitive approaches, warning that a one-size-fits-all model often fails to address local social, cultural, and regulatory conditions. Valente (2012) explores how the interaction between corporations and local communities systematically shapes firm-level aspirations for sustainable development. Similarly, Reddy and Hamann (2018) illustrate how local contexts and corporate culture influence MNCs' sustainability strategies. Other studies argue that corporate engagement in the sustainability reporting literature can promote connections with local communities and enhance community welfare (Baker *et al.*, 2023). Gray *et al.* (1996) assert that the relationship between MNCs and local communities can only be established if corporations recognise local communities as key stakeholders.

In addition, several studies have examined how oil companies use sustainability disclosures to manage crises and reputation risks. Arora and Lodhia (2017), for example, analysed BP's sustainability reporting following the Gulf of Mexico oil spill, revealing that disclosures were strategically framed to protect corporate reputation rather than provide transparent environmental accountability. Similarly, Heflin and Wallace (2017) demonstrated that BP's environmental disclosures downplayed the severity of the spill and were primarily designed to reassure financial stakeholders rather than engage affected communities. Pupovac and Moerman (2022) further argue that oil companies such as Shell employ sustainability reports as spectacles that project legitimacy while masking ongoing environmental harm, while counter-accounts by civil society attempt to contest these narratives.

Despite the growing literature, few attempts have been made, particularly in the MENA context (e.g. Morrison *et al.*, 2024), to examine the accountability of oil and gas companies to local stakeholders. This study addresses this gap by critically examining how these companies report on sustainability in the post-conflict, but resource-rich context of the KRI, offering insights into the power dynamics and socio-political factors shaping corporate accountability.

3. Theoretical framework

This study draws on stakeholder theory, given that we focus on the sustainability reporting of oil and gas companies as a tool to discharge accountability to powerless stakeholders. Stakeholder theory asserts that stakeholders have the right and ability to influence corporate decisions (Freeman, 2001). It is widely applied in sustainability reporting research due to its ability to explain how organisations respond to the expectations of different stakeholder groups (Adams and Whelan, 2009). The theory is particularly relevant in settings where stakeholder interests are contested and power is unequally distributed.

Legal frameworks further emphasise the relevance of stakeholder theory. For example, Section 172 of the UK Companies Act requires directors to consider a broader range of stakeholder interests. Additionally, corporate reporting regulations and stock exchange listing requirements increasingly mandate companies to disclose non-financial information, emphasising legal accountability to a wider stakeholder base (Farooq *et al.*, 2025). The practical relevance of stakeholder theory is evident in corporate sustainability reports, where MNCs often identify stakeholders as the primary audience. Frameworks like the GRI emphasise stakeholder engagement and materiality assessments informed by stakeholder input (GRI, 2016).

Three attributes (power, legitimacy, and urgency) impact stakeholders' ability to influence organisational decision-making (Mitchell *et al.*, 2017). Stakeholders possessing all three attributes are likely to receive managerial attention, while those lacking them are often ignored. This prioritisation framework reflects a managerialist approach, which risks marginalising less powerful stakeholders (Mitchell *et al.*, 1997). To address this limitation, we used a normative perspective of stakeholder theory, which asserts that all stakeholders, regardless of power, are recognised as stakeholders and have the right to receive information

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from corporations (Freeman, 1984). Yet, in practice, corporate reporting tends to favour powerful actors, neglecting marginalised groups (Morrison *et al.*, 2024).

We extend this normative perspective by incorporating a critical lens focused on the power asymmetries between oil and gas companies and marginalised stakeholders in the KRI. We build on Donaldson and Preston (1995), who conceptualised the normative perspective as an ethical framework that demands fair treatment for all stakeholders. This approach assumes neutral power dynamics among stakeholders, with no group prioritised over another. However, critics have pointed out the limitations of this framework, particularly in contexts where power imbalances are stark and where corporate actions often favour shareholders (Friedman, 2007) or other powerful stakeholders (Greenwood and Mir, 2019).

In the context of the KRI, these theoretical limitations are amplified by weak democratic values and significant disparities in power and access to information among stakeholders. While normative stakeholder theory assumes that all stakeholders can access information and hold corporations accountable, such assumptions are often flawed in non-Western settings. For instance, in the KRI, marginalised communities lack institutional mechanisms to influence corporate behaviour, including access to information. Although local NGOs, international human rights organisations, or community advocacy programs might theoretically serve as channels for empowerment, these are either underdeveloped or largely absent in the region. This highlights the need to adapt normative stakeholder theory to account for the realities of marginalised stakeholders in non-Western, resource-dependent regions. This study extends the normative perspective of stakeholder theory by incorporating a critical lens that emphasises power-class relations (Greenwood and Mir, 2019). By examining the structural injustices inherent in stakeholder relationships, we move beyond the assumption of neutral power dynamics and challenge the liberal democratic values that underpin much of the Western-centric stakeholder theory.

4. Context – KRI

The context of this study is the oil and gas sector in the KRI, an autonomous region in northern Iraq, bordering Syria to the west, Türkiye to the north, and Iran to the east. The KRI is a post-conflict region with a history of war, political instability, and displacement, which has shaped its governance structure and complicated stakeholder engagement and corporate accountability. Following the fall of Saddam Hussein's regime in 2003, the KRI Government enacted its own oil and gas law in 2007, enabling production-sharing contracts (PSCs) with FOCs and laying the foundation for an oil-driven economy (Hassan *et al.*, 2023).

The KRI possesses significant oil reserves, estimated at 45 billion barrels, placing it among the major oil producers and ahead of several OPEC nations. Despite substantial foreign direct investment and resource wealth, these benefits have not effectively reached the majority of citizens. Economic growth has been accompanied by environmental and social challenges, including droughts, dust storms, and a weakened agricultural sector (Hassan *et al.*, 2023). These pressures have undermined livelihoods, intensified migration, and strained essential services such as water, sanitation, and health care (USAID, 2017).

Over the past 2 decades, the KRI's economy has become heavily dependent on oil exports and foreign investment. This dependence has created asymmetrical power relations between oil and gas companies and the KRI Government, especially in disputed or conflict-prone areas with weak oversight. FOCs investing in the KRI extractive industry tend to operate in conflict zones and disputed areas between the KRI Government and the Iraqi government, targeting these regions for exploration and further investment due to low levels of regulation, lack of supervision, and weak governance (Skovoroda *et al.*, 2019). While foreign investment is considered vital for economic development (Hanna *et al.*, 2014), it also raises concerns about exploitative relationships, particularly in fragile states like the KRI, where governments may concede tax advantages or resource control to attract capital (Denedo *et al.*, 2017; Klein, 2008). The relationship between the KRI and oil and gas companies reflects findings from

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Chwastiak (2013), who highlighted how neoliberal frameworks and laissez-faire policies in Iraq have created opportunities for corporations to make enormous profits quickly while shifting risks and responsibility for failures onto the fragile Iraqi government. This dynamic has allowed corporations to operate with minimal scrutiny, reap huge profits, and shift social and environmental costs to host communities.

Klein (2008) criticised foreign investment in Iraq for prioritising global capital over local interests, citing incentives and tax exemptions under Investment Law No. 13. The KRI extractive sector reflects these concerns, as FOCs rely on a minimal local workforce (2–3%) and often operate without strong alignment with host community needs. Hogan *et al.* (2006) go further, arguing that the main reason and motivation behind deploying U.S. ground troops in rich oil and gas countries is to create a safe and secure environment for U.S. investment. Biglaiser and DeRouen Jr (2007) confirm that developing countries hosting a U.S. military presence are assured of receiving U.S. investment.

The KRI's post-conflict status makes it appealing to oil and gas companies seeking to avoid transparency demands found in Western jurisdictions. In such low-pressure regulatory environments, companies can evade accountability. Although the extractive sector is globally scrutinised for pollution and climate impacts (Bebbington *et al.*, 2020), such oversight is largely absent in the KRI. Local stakeholders have limited capacity to challenge corporate environmental harm (Davila *et al.*, 2018), allowing a permissive environment for LOCs and FOCs.

5. Research method

To address the research question of the study, we employed data from semi-structured interviews and analysed the sustainability reports of FOCs.

5.1 Data collection

We conducted 21 semi-structured interviews with a wide range of KRI citizens. This process was guided by theoretical saturation (Bryman, 2016), and participants were selected to represent stakeholder groups living near oil and gas operations. Research participants were recruited through one of the authors' professional networks (Bryman, 2016) and snowball sampling (Patton, 2002), with new participants referring others from similarly powerless groups.

Interviewees included local citizens, tribal leaders, Mukhtars, and local workers with oil and gas companies [3], whose lives are affected by the extractive industry, yet whose voices are often silenced. We also included Kurdish environmental NGOs, who identify themselves as powerless stakeholders because their concerns and grievances are ignored by the KRI Government.

Selection and access to participants were facilitated by one of the authors, a Kurdish citizen with local ties. Appendix Table A1 provides details about the interviewees. The interview mode was WhatsApp calls. Before the interview, the study's objective was explained to the interviewee. The interviews centred on the economic, social, and environmental impacts of oil and gas companies operating in the KRI. We developed this topic list according to the existing literature on sustainability reporting and the specific context of the KRI, as introduced in the previous section. Interviews were conducted online using audio and online modes (Farooq and De Villiers, 2017) from February 2023 to September 2023. The interviews ranged from 40 to 70 min in duration. Although Kurdish and Arabic are official languages in the KRI, all interviews were conducted in Kurdish, the language preferred by participants.

Sixteen interviews were audio-recorded by one of the researchers, who is a native Kurdish speaker, and transcribed verbatim. Comprehensive notes were taken for five interviewees who did not grant permission for the interview to be recorded. Later, the interviewer confirmed the verbatim transcripts and notes with the respondents. When interviewees used Kurdish, their native language, we followed the translation timing model developed by Esfehani and Walters

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(2018). In this translation timing model, "timing" refers to when the data needs to be translated from the source language (local language) into the target language (English). The translation process was conducted by one of the authors, who is fluent in Kurdish, Arabic, and English. Other authors reviewed the translation process to ensure accuracy and clarity. An interpretivist research methodology was used to analyse the interview data using thematic analysis.

5.2 Document analysis

We also analysed the sustainability reports of oil and gas companies operating in the KRI. At the time of writing, 18 FOCs and 2 LOCs were active in the region. The LOCs did not engage in sustainability reporting; they failed to disclose any sustainability-related information through standalone sustainability reports, annual reports, or their official websites. Of the 18 FOCs, only seven issued parent company sustainability reports in 2023, which aligned with the year our interviews were conducted. These reports were analysed through quantitative content analysis with a disclosure quality index and word counts. The textual content of the sustainability reports was carefully reviewed to identify themes and gain insights into the companies' reporting (Schreier *et al.*, 2020). We approached the data with no pre-existing expectations, allowing themes to emerge inductively from the empirical material rather than being pre-defined by theory or literature (Graneheim *et al.*, 2017). As a result, we identified fourteen common themes by thoroughly reading and coding the sustainability reports (Appendix Table A2).

The content analysis was conducted in three stages, beginning with a five-point disclosure scale (Hooks and van Staden, 2011) to assess the quality of social and environmental reporting. The scale was slightly modified to reflect the unique post-conflict context of the KRI oil sector, placing greater emphasis on disclosures related to local operations, where weak regulation and political sensitivities required a more tailored assessment approach.

In the five-point scale ranging from 0 to 4, used for assessing the quality of social and environmental reporting, the scores were assigned as follows: 0 revealed no discussion of social and environmental issues in the KRI. A scale of 1 denoted minimum social and environmental issues coverage, characterised by purely descriptive content, providing limited detail on general issues; a score of 2 represents the inclusion of detailed qualitative disclosure exclusively, without containing any measurable elements; a score of 3 implies the presence of both qualitative and quantitative disclosure, containing detailed information on resources, activities, and outputs; and a score of 4 signifies comprehensive reporting, containing both qualitative and quantitative disclosures, with detailed information on resources, activities, outputs, and outcomes/impacts. Each textual narrative related to the sustainability reports' social and environmental issues was carefully read, evaluated, and assigned an appropriate quality score.

After that, these scores were combined to compute the overall scores for each FOC's social and environmental disclosure. To ensure the reliability and validity of the disclosure index analysis, one researcher carefully reviewed and applied the defined disclosure criteria independently. Subsequently, other researchers independently verified the data's accuracy and consistency. Then, we counted the words for each identified disclosure theme and compared the totals in the sustainability reports of FOCs with their social and environmental disclosures.

6. Findings and analysis

This section presents the study's findings in two parts. Section 6.1 examines the economic, social, and environmental impacts of oil and gas operations and corporate accountability. Section 6.2 explores the companies' sustainability reporting.

6.1 Economic, social, and environmental impacts of oil and gas companies

As explained in Section 4, the KRI Government's post-2007 economic policies have opened up the oil and gas sector for exploration, positioning it as the key driver for economic growth

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(Hassan *et al.*, 2023). As a result, GDP per capita rose from $3,200 to $7,038 by 2022, and the government now targets 10% annual growth (Chronicle, 2023). These policies have resulted in the influx of MNCs, including FOCs, seeking to capitalise on market reforms [4]. The oil and gas companies collectively produced approximately 440,000 barrels per day in 2022 (KRG, 2023). The impact of these reforms on the local economy is evident in the following quote:

> . . . before them, our economy was mainly based on agriculture . . . They came here after 2003, and our economy was developed through industrialisation [TL01].

The KRI lacks a diversified industrial base, and there is little evidence of a structural transformation in its economy and society. While the proportional contribution of the agriculture sector to the national GDP declined to 6.8% in 2022, the KRI remains mainly agrarian, as 74% of the population lives in rural areas and continues to depend on agriculture as their primary source of income (KRSO, 2024). However, the income generated from oil and gas exploration is not being equitably distributed across society:

> The oil and gas brought money, but not for everyone. Some people got rich, but for most of us, life didn't change [LC04].

Further, the post-2007 oil and gas-driven economic growth has done little to improve literacy rates, water supply, healthcare, and employment (The World Bank, 2016).

> We have roads but no hospitals. We have oil but no jobs. Our university graduates are either unemployed or forced to leave [LC06].

Instead, LOCs and FOCs, enabled by weak institutions and poor policy (Hassan *et al.*, 2023), exploit resources with little accountability, treating oil as a "free gift" (Foster *et al.*, 2011). This has led to unsustainable practices and widespread degradation:

> Oil companies come here, extract our resources, and leave us with nothing but environmental destruction and health problems. We see no real economic benefits that improve our lives [LC05].

These findings indicate that, after 2 decades, oil-led economic growth has offered few benefits to Kurdish society, and wealth has been transferred to a few powerful local and international stakeholders. Instead, the extractive industry has had severe negative social, economic, and environmental impacts, leading to a sharp decline in the quality of life:

> Industrialisation, economic growth, and pollution are strongly and directly connected [MO3].

6.1.1 Air and water pollution. Oil refineries in the KRI emit hazardous air pollutants, toxic compounds, heavy metals, and organic compounds [5], causing significant physiological and psychological harm to nearby communities (Salih *et al.*, 2023). The KRI Government has not designated industrial zones to manage pollution, leading to oil extraction sites being situated near towns and villages (The World Bank, 2016). Local communities have expressed frustration over the health impacts of this pollution:

> We do not have a normal life anymore. Our children are all sick. When we went to see the doctor, the doctor told us that the main cause was air pollution [LC03].

> I can't let the kids play outside. The smell of oil and diesel always wraps around the streets and neighbourhoods [LC06].

Further, oil refineries produce effluents and wastewater, which need to be thoroughly processed before safe disposal (Guo *et al.*, 2024). Chemical disposal and other untreated waste discharged into rivers and waterways can cause severe environmental damage (Belal *et al.*, 2015). Many oil companies [6] have chosen to set their refineries next to vital water bodies, resulting in severe water pollution and river erosion:

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> . . . most of our extractive industries were set up beside rivers. Because of that, two serious things are happening. One is pollution, and the other is river erosion. As they have been uncontrolled for a long time, it has created a critical condition now [ENGO03].

Contaminated drinking water poses significant health risks to communities dependent on rivers and lakes:

> The oil production waste is discharged into the Tangero River, which is discharged into the Sirwan River. People in Darbandikhan drink water from the Sirwan River without any filters. That's the poison we're drinking [LC07].

Polluted water also spreads over land, compounding environmental harm:

> Oil, black bitumen, and diesel are mixed with water and flow easily on the soil . . . You can't live here if you don't wear a mask . . . The oil smell is so strong that you can easily smell it, and your head hurts immediately . . . [ENGO01].

Further, oil refineries consume large quantities of water to refine crude oil and cool plants and machinery. Thus, in addition to generating waste, oil refineries compete for water required for agriculture and domestic use (Lauwo *et al.*, 2016). The unstable security environment has also contributed to environmental risks:

> Oil is transferred to neighbouring countries using tankers. This process has caused significant damage to the environmental resources (water, air and soil). I've seen many times that oil tankers turned over and burned. This is very dangerous because each tanker can transport 36,000 L of oil, so 36,000 L of oil can spill on the ground, into the groundwater sources, and mixed with the air [LW03].

6.1.2 Health and safety. The findings reveal widespread concerns regarding the health impacts of oil extraction on local citizens. Participants consistently described a growing health crisis linked to pollution from oil operations:

> We have to incur huge costs yearly because of pollution-related diseases. Pollution has vast implications for our health. Before 2005, we did not know what cancer was, but now even our kids have cancer [LC02].

This reflects corporate environmental irresponsibility in vulnerable contexts (Belal *et al.*, 2015), where extractive operations neglect public health. Participant narratives reveal how this environmental harm is experienced as a daily lived reality:

> Living here is not easy anymore. We are all sick. When we visit doctors, they tell us that our air and water are not clean [LC01].

Constant exposure to pollution has caused fear, stress, and anxiety, worsening mental health. Yet, corporate accountability frameworks often overlook the cumulative emotional and mental effects of environmental harm in post-conflict settings:

> Do you know why Kurdish people can't sleep at night or get angry quickly? These diseases didn't exist before. But now, environmental pollution has become a major health problem [M01].

Concerns about water safety also reflect systemic neglect. Oil waste is reported to flow into Darbandikhan Lake, a critical water source, before being distributed untreated:

> Oil waste comes to Darbandikhan Lake and contains many toxic chemicals. This water is distributed to citizens every two days without any filtration [NGO02].

6.1.3 Impact on agriculture. The agriculture sector faces challenges due to pollution from the oil and gas industries, reflecting broader evidence that industrial discharge in developing countries disrupts rural farming systems and threatens food security (Munasinghe *et al.*, 2017).

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Refineries discharge untreated waste into water bodies, and oil spills and contaminated rainwater have led to declining crop yields, as one farmer explains:

> The industrialisation of Kurdistan has polluted our areas very seriously. The waste mixes with water, and the rain falls on crops. As a consequence, the crops are poisoned [LC04].

The contamination of agricultural land has reduced crop yields and affected the livelihoods of farmers who depend on farming as their primary source of income. Soil degradation [7] and water contamination have forced many to abandon their land, reflecting poor environmental governance and disregard by extractive industries. The long-term effects threaten food security and deepen economic hardship, as one interviewee explains:

> Our soil is not fertile now. Even when we plant, the crops do not grow the same way. The water we use is polluted. We are losing our land, our food, and our future [LC01].

Addressing the situation requires effort from both the KRI Government and oil and gas companies. However, the KRI Government has shown little will to implement regulatory reforms, while LOCs and FOCs appear content with business as usual. Consequently, local stakeholders are increasingly frustrated over the situation:

> I told them and sent a clear message to them. If I am someone who is starving here in my land and oil wells have been drilled nearby, do you think I'll stay silent? [TL03].

6.1.4 Corporate accountability. Environmentally, toxic pollution and the unsustainable exploitation of natural resources have severely impacted local ecosystems and wildlife. These issues are less pronounced in Western countries, where companies are required to comply with stringent environmental requirements (Lauwo *et al.*, 2016). However, in the KRI, weak monitoring and policing mechanisms allow corporate activities to go unchecked. The result is growing frustration among powerless local stakeholders:

> There are no strict laws here. These companies do whatever they want, and no one stops them. If this were Europe, they would be punished, but here, they are free [LC03].

Our findings reveal a lack of stakeholder engagement, particularly with powerless local groups, in the preparation of sustainability reports. Despite claims of community support, these processes mainly exclude those most affected by corporate activities:

> They never come to us. Companies extract our resources and leave us with dust and damaged land. No one asks our opinion or involves us. If they wanted to help, they would speak our language and understand our needs, not just write reports in English [TL01].

Similarly, local leaders express their exclusion from these processes:

> As a Mukhtar, I've never been invited to speak or share my village's concerns. These companies come, build their projects, and publish reports saying they support the community, but they've never asked us what we need [MO2].

6.2 Sustainability reporting of oil and gas companies

The study finds that LOCs fail to engage in sustainability reporting, which reflects a broader disinterest among political stakeholders in promoting sustainability or being held publicly accountable. This lack of transparency sets a poor example for FOCs, who face little local pressure to publish high-quality sustainability reports. Instead, FOCs can justify publishing poor-quality sustainability reports by arguing that they are ahead of local reporting norms and are setting an example for LOCs to follow. Indeed, LOCs may not want FOCs to improve their sustainability reporting, as this may (in the long run) create pressure on them to start reporting on their sustainability performance to local stakeholders.

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FOCs' sustainability reports are prepared with little, if any, engagement with weak stakeholder groups. While FOCs claim to follow internationally recognised reporting frameworks, they undertake little, if any, engagement with local stakeholders. Without such engagement, FOCs cannot hope to publish sustainability reports that promote transparency and accountability to local stakeholders. These findings offer an alternative perspective to Morrison *et al*. (2024), who attribute reporting challenges to Western frameworks. Instead, this study finds that FOCs fail to follow key principles outlined in the GRI's standards, particularly stakeholder engagement. The following subsections examine FOC reporting practices, focusing on the extent of disclosure and content quality.

6.2.1 Sustainability reporting by FOCs. This study finds that, in the case of FOCs, 11 out of the 18 companies do not publish sustainability reports, relying primarily on their websites to communicate sustainability issues to stakeholders. These disclosures are typically brief and vague, offering limited information about the companies' sustainability performance. Instead, they discuss the companies' principles, commitments, and goals related to ethical conduct and the transition to renewable energy. These are conveyed using broad statements rather than measurable targets and actual performance.

6.2.2 Quality of sustainability disclosures published by FOCs. As discussed in Section 5, fourteen sustainability themes were identified through careful reading and coding of textual disclosures in sustainability reports, focusing specifically on references to the KRI (Appendix Table A2). A key point that FOCs consistently emphasise in their sustainability reports is the issue of gas flaring [8] to ensure that they present their operations as compliant with the World Bank's "Zero Routine Flaring by 2030" initiative, of which many FOCs are signatories (The World Bank, 2015).

Here again, reporting entities simply state their commitment without providing evidence of meaningful action or accountability in mitigating the impacts of gas flaring on local communities. For example, Dana Gas reports an 82% increase in flaring in 2023 compared to 2022, citing operational issues without discussing any steps taken to address this issue. This gap between corporate commitments and actual environmental action reflects a broader issue within sustainability reporting, where disclosures often serve as symbolic gestures rather than demonstrating real accountability (Boiral, 2013). Appendix Table A3 illustrates the frequency of references to the KRI or the specific city/area where an FOC operates within the region and indicates whether these references are relevant to social and environmental issues.

In terms of the quality of disclosure across the identified themes, the analysis reveals that most FOCs scored low, with the majority of disclosures receiving a score of 0, 1, or 2 on the disclosure quality index [9] (Appendix Table A2). None of the FOCs achieved a score of 4, which would require comprehensive reporting, including outcomes and impacts. This pattern highlights a widespread lack of depth and rigour in reporting, undermining the effectiveness of these disclosures as tools for stakeholder accountability in the region. For example, DNO often received scores of 0 or 1 for referencing principles without outlining concrete actions or local results.

Companies such as Taqa and Genel Energy scored 2 in several themes, offering more substantial narrative content but still failing to include quantitative indicators or evidence of outcomes. Taqa describes efforts related to waste management, biodiversity, and spill prevention and response, but these remain at the level of qualitative description without data to track progress or measure performance. Genel Energy, Dana Gas, and Gulf Keystone scored 3 in select themes, providing qualitative and quantitative information, with details on resources deployed, activities undertaken, and immediate outputs. For instance, Dana Gas provides water usage and quality data, while Genel Energy includes specific local employment and workforce development figures.

6.2.3 Quantity of sustainability disclosures published by FOCs. We also conducted a word count analysis for our identified themes and compared the extent of sustainability disclosure relative to the total words in the sustainability reports (Appendix Table A2 and Appendix Table A4). Our analysis revealed significant variations in how much attention different FOCs

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devote to KRI-specific issues, with some companies providing only minimal coverage despite their extensive operations in the region. For example, Dana Gas's sustainability report, which consists of 21,284 words and covers operations in three different countries, allocates only 15% of its content to the Kurdish context (Appendix Table A4). Despite their substantial economic footprint in the region [10], the minimal attention given to the KRI in sustainability reports suggests a disregard for region-specific environmental and social challenges.

The limited attention FOCs give to the KRI in their reports raises concerns about their accountability to the region. This narrow focus suggests a gap in disclosing meaningful information about their sustainability actions and impacts on Kurdish society, possibly indicating that the KRI is a lower reporting priority compared to global operations. These findings reveal how FOCs selectively communicate their sustainability efforts and suggest that most are not fulfilling corporate accountability toward local stakeholders, yet a few exceptions demonstrate more responsible reporting practices.

This disconnect stems from inadequate local stakeholder engagement and highlights the view that such reports primarily serve external investors rather than addressing the concerns of affected communities. These accountability gaps highlight the need for localised reporting practices that respond to stakeholder expectations in the KRI. The findings suggest that corporate accountability is shaped more by external pressures and reputational concerns than by an internalised ethical responsibility towards the affected local stakeholders. Local stakeholders consistently highlight that economic interests take precedence over environmental and social considerations, with FOCs externalising environmental costs and showing little regard for pollution control. While a few demonstrate some accountability, the overall misalignment between reporting and the lived realities of communities in the KRI is a critical concern.

7. Discussion

We now apply the contextual and theoretical insights developed in Sections 3 and 4 to make sense of the findings using the lens of normative stakeholder theory. Since 2007, the KRI Government's economic policies have expanded the oil and gas sector as a driver of growth and development. However, weak institutional oversight has allowed LOCs and FOCs to prioritise the economic interests of a few powerful stakeholders over the sustainability concerns of powerless stakeholders. This economic development has brought significant social and environmental risks, such as air and water pollution, which directly affect the health, agricultural productivity, and overall quality of life of local stakeholders.

The findings reveal that LOCs fail to provide powerless stakeholders with any form of sustainability reporting. There is little local pressure on FOCs to improve their sustainability reporting. While some well-known FOCs demonstrate a degree of corporate accountability through their sustainability reporting, many others show minimal commitment to corporate accountability and neglect the well-being of local communities and the environment. Although most FOCs claim to follow reporting frameworks like the GRI, their reports often involve little to no engagement with local stakeholders. Consequently, these disclosures overlook the social, economic, and environmental concerns of powerless KRI stakeholders and reveal a significant accountability gap. These superficial disclosures do not enhance transparency or accountability, but fuel frustration among affected communities.

This failure reflects global patterns in which oil and gas companies in post-conflict and resource-rich areas prioritise economic profitability over ethical accountability (Belal *et al.*, 2015; Hassan, 2023). These companies externalise environmental costs onto marginalised communities, following a capitalist model that prioritises profit maximisation over corporate accountability (Belal *et al.*, 2013; Hassan *et al.*, 2023). Weak regulatory frameworks and limited enforcement of environmental laws facilitate this externalisation of harm, allowing oil and gas companies to avoid accountability mechanisms.

A key factor driving this accountability gap is the alignment between political parties and extractive industries (Hassan *et al.*, 2023). This alignment promotes regulatory capture, where

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corporate influence weakens oversight and deprioritises social and environmental protections (Noah *et al.*, 2021). The lack of a consistent framework for accountability throughout the sector suggests that corporate accountability is driven primarily by external pressures, with companies engaging selectively, privileging stakeholders with political and economic influence while marginalising others (Lauwo *et al.*, 2020). Also, power asymmetries are evident in the exclusion of local communities from decision-making and sustainability processes, despite bearing the brunt of extractive harms. This imbalance contributes to growing frustration among Kurdish communities and highlights the need for companies to align with global accountability standards by meaningfully engaging with local stakeholders and addressing their concerns in sustainability disclosures.

8. Conclusion, limitations and future research

This study examined the sustainability reporting of oil and gas companies in discharging accountability to powerless local stakeholders in the KRI, a post-conflict region in the MENA. Although academic concerns about sustainability issues have been growing (Baker *et al.*, 2023), existing research shows that MNCs in extractive industries often use such reports to enhance legitimacy rather than to improve stakeholder well-being (Uche and Khalid, 2023). However, corporate accountability efforts have done little to benefit local communities (Noah *et al.*, 2024). Instead, corporate operations have exacerbated the powerlessness of local communities (Wijethilake *et al.*, 2017). Despite these concerns, limited research has specifically examined sustainability reporting in post-conflict regions of the MENA (Morrison *et al.*, 2024) from the viewpoint of powerless stakeholders.

The KRI has experienced considerable economic growth over the last 2 decades and aims to become a vibrant economy in the MENA region. This progress has been primarily driven by oil and gas exports. However, this economic progress also comes with high social and environmental costs. We conclude that sustainability reporting by oil and gas companies in the KRI fails to promote transparency and accountability due to a lack of local stakeholder engagement. We note with concern that Kurdish local stakeholders bear the social, economic, and environmental costs of this growth, and sustainability reports fail to offer them a channel through which to communicate sustainability issues to policymakers and regulators. Thus, in the context of a weak regulatory regime, sustainability reporting is likely to be ineffective in promoting transparency and holding corporate entities to account for the effects of their activities.

This study offers both academic and practical contributions. It extends the sustainability reporting literature by providing empirical insights from the post-conflict context of the KRI and addressing calls for more research on how socio-political and economic contexts influence oil companies' sustainability reporting (Qian *et al.*, 2021). The interview data capture the overlooked perspectives of powerless stakeholders in a post-conflict region concerning corporate accountability (Belal *et al.*, 2015). The study recommends that policymakers, regulators, and standard-setters in the KRI and other developing countries consider sustainability reporting that is aligned with international standards and incorporates stakeholder engagement. Standard-setters, such as the GRI and the ISSB, should consider introducing guidelines that stress the need for sustainability reports to adequately address issues of concern to local stakeholders. Practitioners can use these insights to address marginalised voices in sustainability disclosures. The study aligns with several UN SDGs on responsible production and contributes theoretically by highlighting the experiences of powerless groups (Brown, 2013).

While this research focuses on FOC sustainability reports, it does not analyse other accountability mechanisms. Future studies could examine alternative channels, such as local media, social media, and global transparency initiatives. Interviews with company representatives may also shed light on informal engagement practices and how local communities perceive them, though data access in the KRI remains challenging. Nevertheless, this study offers a foundation for further research into the accountability practices of extractive industries affecting marginalised communities.

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Appendices

Table A1. Summary of interviews

Sr #	Participant Ref. Code	Designation	Experience (in years)	Interview length (min)
1	LC01	Local farmer	15	57
2	LC02	Local farmer	11	61
3	LC03	Local citizen	7	52
4	LC04	Local farmer	9	49
5	LC05	Local citizen	6	61
6	LC06	Local citizen	5	42
7	LC07	Local fishermen	6	46
8	TL01	Tribal leader	12	53
9	TL02	Tribal leader	9	64
10	TL03	Tribal leader	17	57
11	TL04	Tribal leader	11	41
12	M01	Mukhtar	7	69
13	M02	Mukhtar	8	42
14	M03	Mukhtar	6	53
15	LW01	Local workers with oil companies	2	56
16	LW02	Local workers with oil companies	2.5	51
17	LW03	Local workers with oil companies	3.5	47
18	LW04	Local workers with oil companies	3	43
19	ENGO01	Environmental NGO	3	41
20	ENGO02	Environmental NGO	4	41
21	ENGO03	Environmental NGO	2.5	45

Source(s): Authors' own work

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Table A2. Word count and disclosure quality (in parentheses) of sustainability themes in FOCs' reports

Word count of sustainability areas and issues	DNO ASA	Genel energy	Forza petroleum	Gulf keystone	TAQA	MOL group	Dana gas	Total
Greenhouse gas emissions	154 (1)	406 (3)	0 (0)	387 (3)	419 (3)	366 (3)	512 (3)	2244 (16)
Air quality	0 (0)	372 (3)	0 (0)	477 (3)	9 (1)	291 (2)	57 (1)	1206 (10)
Water usage and quality	117 (1)	292 (2)	62 (1)	412 (3)	317 (3)	311 (2)	518 (3)	2029 (15)
Waste management	68 (1)	471 (3)	0 (0)	397 (3)	278 (2)	71 (1)	304 (2)	1589 (12)
Biodiversity and habitat conservation	36 (1)	212 (2)	0 (0)	42 (1)	219 (2)	89 (1)	284 (2)	882 (9)
Spill prevention and response	57 (1)	513 (3)	0 (0)	38 (1)	192 (2)	62 (1)	417 (3)	1279 (11)
Energy consumption	24 (1)	147 (1)	0 (0)	54 (1)	0 (0)	198 (2)	288 (2)	711 (7)
Environmental social impact assessments	0 (0)	56 (1)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	56 (1)
Regulatory compliance	0 (0)	194 (2)	0 (0)	0 (0)	512 (3)	0 (0)	101 (1)	807 (6)
Climate change adaptation and resilience	0 (0)	388 (3)	0 (0)	72 (1)	473 (3)	176 (2)	82 (1)	1191 (10)
Local employment and workforce development	91 (1)	361 (3)	49 (1)	139 (2)	322 (2)	156 (2)	263 (2)	1381 (13)
Labour practices (including working conditions, health and safety)	0 (0)	39 (1)	0 (0)	54 (1)	289 (2)	34 (1)	68 (1)	484 (6)
Community investment and development	0 (0)	43 (1)	48 (1)	63 (1)	267 (2)	38 (1)	172 (2)	631 (8)
Health and well-being	0 (0)	51 (1)	0 (0)	429 (3)	28 (1)	29 (1)	38 (1)	575 (7)
Total	*547* (7)	*3,545* (29)	*159* (3)	*2564* (23)	*3,325* (26)	*1821* (19)	*3,104* (24)	*15,065* (131)

Source(s): Authors' own work

Table A3. Number of times KRI is mentioned in FOCs' sustainability reports

Company	The origin of the company	Number of times KRI is mentioned: Environmental report	Social report	Total
DNO ASA	Norway	4	3	7
Genel Energy	Türkiye	12	16	28
Forza petroleum	Canada	1	2	3
Gulf Keystone	United Kingdom	3	21	24
Taqa	United Arab Emirates	9	11	20
MOL GROUP	Hungary	4	5	9
Dana Gas	United Arab Emirates	16	13	29

Source(s): Authors' own work

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Table A4. Comparison of total sustainability report words and KRI-specific disclosure

FOC's name	Total sustainability report words	Allocate words to KRI	Percentage of word allocation
DNO	4,057	547	13%
Genel Energy	21,605	3,545	16%
Forza Petroleum	6,271	159	3%
Gulf Keystone	11,672	2,564	22%
Taqa	20,147	3,325	17%
MOL GROUP	11,342	1,821	16%
Dana Gas	21,284	3,104	15%

Source(s): Authors' own work

Notes

1. The post-conflict context refers to countries that have emerged from internal strife, armed conflict, or civil war (Thoradeniya *et al*., 2022). They are characterised by a precarious state of peace and stability, and they frequently face critical challenges related to restoring governance, addressing social and economic inequalities, and reconstructing infrastructure (Dissanayake *et al*., 2016).
2. In the context of KRI, Mukhtars are government-appointed officials who act as intermediaries between the villagers/local communities and the government. Their role is administrative and formalised, including representing the village in governmental matters.
3. Local citizens refer to individuals who reside in communities located near the operational sites of oil companies but are not employed by these companies. In contrast, local workers are those citizens who are employed by oil companies in various roles, including administrative, technical, or labour-related positions. While both groups are part of the local population, their experiences and perspectives differ due to their direct or indirect engagement with oil companies.
4. At the time of writing, two LOCs and 18 FOCs were operating in the KRI. The LOCs are owned and managed by entities affiliated with the dominant political parties within the KRI Government.
5. Examples of these pollutants include benzene, toluene, nitrogen oxides, volatile organic compounds, lead, and particulate matter.
6. The KRI has five official refineries and numerous small to medium-sized unofficial refineries across the provinces of Erbil, Sulaymaniyah, and Duhok (Rudaw Research Center, 2023).
7. The oil industry has significantly affected soil degradation through oil spills, refinery waste, and chemical discharges. In areas like the Khurmala oil field, soil contamination has damaged farmlands, reduced fertility, and impacted local livelihoods.
8. Gas flaring refers to the burning of natural gas released during oil extraction. It has significant environmental consequences, contributing to greenhouse gas emissions, accelerating climate change, and posing health risks to nearby communities. Despite being well-documented, the practice has persisted across the global oil sector for over 160 years due to weak regulatory frameworks, economic and market limitations, and a lack of political will (Wen *et al*., 2023).
9. On the five-point scale (0–4), a score of 0 indicates the absence of any disclosure on social and environmental issues in the KRI; a score of 1 reflects minimal coverage, usually limited to vague or purely descriptive statements; and a score of 2 represents more detailed qualitative information, though still lacking measurable or verifiable data.
10. For example, in 2023 alone, total production reached 93.78 million barrels, generating $3.28 billion in revenue.

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