



Research article

The critical role of corporate governance in sustainable development goals prioritisation: A 5 P s-based analysis for emerging economies

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ABSTRACT

The UN Sustainable Development Goals (SDGs) were developed in 2015 and serve as the main guide for achieving the 2030 Agenda. This paper analyses the impact of corporate governance (CG) and financial performance (FP) on SDG prioritisation, taking FP as a mediating variable and categorising the SDGs by the five pillars (5 Ps) commonly used for this purpose: People, Planet, Prosperity, Peace and Partnership. For this purpose, structural equations (PLS-SEM) were applied, using a sample of 312 Latin-American firms. The study results show there is a positive relationship between FP, CG and SDG prioritisation. Moreover, FP has a partial mediating role in the relationship between CG and SDG prioritisation. This study is innovative in the context of emerging Latin American economies and suggests paths for future research on this topic that would be of interest to academics, regulators and industry professionals. This paper highlights the important role of CG in helping achieve the objectives of the 2030 Agenda in Latin America. Furthermore, the study has implications for policymakers, showing that CG may enhance companies' FP and their commitment to the SDGs. Accordingly, regulators should establish minimum requirements for all companies regarding the structure and practices of CG. The study findings also have implications for stakeholders and responsible investors, suggesting that companies' level of sustainable development can be assessed via their CG policies.

1. Introduction

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, one of the most significant global events in recent years [1]. The 2030 Agenda presents a new scenario for addressing the systemic and integrated challenges [2] involved in achieving the 17 SDGs and their 169 associated targets. Under this Agenda, governments, businesses, non-governmental entities and society as a whole are called upon to collaborate and make this important initiative a success by 2030.

The Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD) concur in that companies must play a major role in helping achieve the SDGs [3]. According to Ref. [4], 72 % of G250 companies disclose how they connect their business activities to the SDGs and 72 % of the 1141 large corporations surveyed by

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Ref. [5] provided information on the SDGs. These results are consistent with Refs. [6,7] according to which prioritising the SDGs is becoming an increasingly important aspect of corporate strategies. However, other studies have observed low levels of corporate commitment to SDG reporting [8,9]. Despite these mixed results, it seems clear that some organisations have rapidly incorporated the SDGs into their business strategies and reporting; for example, a survey of CEOs conducted by Ref. [10] found that nearly 90 % believe that the SDGs provide an excellent opportunity to rethink various areas of the organisation's activities, such as its approach to sustainable value creation.

In the accounting field, on the other hand, research findings are scant. Ref. [11] summarised the results presented, and observed that a very limited body of academic literature has addressed accounting and the SDGs, compared to other disciplines. Clearly, more empirical research in this area is needed to better understand corporate engagement with the SDGs, and new studies are indeed appearing, in line with the increase in SDG reporting since 2017 [3,12–14]. Moreover, the consequences of the COVID-19 pandemic have spurred corporate actions to meet the SDGs [14,15]. Nevertheless, numerous research opportunities remain in this area.

The present study was conducted taking account of the Resource-Based theory, Agency theory and Stakeholder theory. The first of these asserts that companies can obtain a competitive advantage by efficiently allocating their resources across various areas, including sustainability practices [16]. According to Agency theory, companies should seek to establish strong CG practices, thus reducing information asymmetries, better controlling management behaviour and optimising the decision-making process [17]. Finally, Stakeholder theory argues that, in order to create comprehensive value, companies should consider not only the expectations of shareholders but also those of other stakeholders [18].

This article provides empirical evidence on SDG prioritisation, in the context of the 5 Pillars (the 5 Ps) highlighted in the 2030 Agenda – People, Planet, Prosperity, Peace and Partnership – as the five key areas that must be addressed in order to achieve the stated goals [19,20]. Consideration of these pillars enables us to analyse interactions among these aims and to structure common country assessments of policy programmes and achievements [21]. In this paper, therefore, we examine the impact of CG and FP on SDG prioritisation, taking FP as a mediating variable.

Specifically, the study focuses on firms from Latin America, an environment in which little previous research in this field has been conducted, and regarding which calls have been made for more investigation to better understand corporate behaviour in these emerging economies [22]. Studies have shown that Latin America provides a unique context for considering how firms deal with sustainability issues, because these firms typically lack minority shareholder protection and assign relatively little priority to other stakeholders [23,24]. Thus, Refs. [25,26] stress that given the peculiarities of this context, and these countries' similar characteristics in terms of institutional, cultural and governmental practices, the research findings obtained for Latin American companies would differ significantly from those found elsewhere, in more developed economies.

This study tackles the research gap identified by Ref. [24], who emphasised the importance of investigating how CG influences sustainable development in Latin America. This is especially pertinent in a region that is heavily reliant on natural resource extraction, a focus that provokes significant environmental and social repercussions. This paper makes a three-fold contribution to our understanding. First, it sheds light on the practical aspects of SDG reporting, including its implications for policymakers, managers and stakeholders. Second, it contributes to the growing body of empirical literature examining commitment to SDG prioritisation in emerging economies, in response to calls to investigate which SDGs are most prioritised by countries [27]. Third, it provides empirical evidence of the importance of CG structures to the possibility of achieving the goals set in Agenda 2030.

The rest of this paper is organised as follows. The next section describes the literature review carried out and the development of the study hypotheses, followed by an explanation of the sample and the methodology applied. The results of the empirical study are then analysed. In the final section, the main conclusions drawn and considerations for future work are presented.

2. Literature review and hypothesis development

The SDGs are widely recognised as elements of fundamental importance for humanity. Their implementation is progressing at different rates worldwide, and some studies suggest that not all 17 SDGs may be achieved simultaneously [1]. The SDGs were formally articulated and adopted in 2016 and their use is gradually becoming widespread [28,29]. In the business world, the integration of the SDGs into corporate strategies is viewed as a way to implement more sustainable business models [13,14].

In recent years, studies have examined how the SDGs are related to specific targets [11,14]. According to some researchers, SDG reporting focuses almost exclusively on positive contributions made in this respect [4]. However, beyond these preliminary findings, research in the field is still in its infancy, and very few detailed studies have been conducted. Although the integrity and indivisible nature of the SDGs are acknowledged in their definition, the question of prioritisation is in fact critical to achieving the 2030 Agenda [8,30]. In other words, a strategic order must be created for the SDGs, based on the relative importance assigned to each one [31].

In the private sector in Latin America, the prioritisation of the SDGs is entirely voluntary. Thus, in many cases, small and medium-sized enterprises (SMEs) do not directly engage with the 2030 Agenda, and larger companies are the primary actors in this respect [32]. When these organisations prioritise the SDGs they wish to align with, this provides a structure for their business strategies, facilitating a clearer overview of resource allocation in the context of sustainability [33]. According to Ref. [34], prioritising the SDGs enables companies to monitor and manage their progress towards the objectives addressed.

In this respect, too, Ref. [35] notes that not all SDGs contribute equally to achieving the 2030 Agenda. Similarly, Ref. [36] showed that in Asia prioritising SDGs 1, 5 and 11 would have a cascading effect, thereby contributing to achieving the other objectives, which are not directly prioritised. This prioritisation, therefore, would be of significant assistance in achieving the 2030 Agenda more efficiently. In view of these considerations, the present study focuses on the five pillars ("the 5 Ps") delineated in the 2030 Agenda in order to establish which SDGs should be assigned the highest priority. Although aligning each SDG with one of the 5 Ps may appear to



Fig. 1. Alignment of the SDGs with the 5 Ps.
Source: [37].

be straightforward, evidence suggests there is no total consensus on these questions [2], and that many authors, countries and organisations classify the SDGs in different ways. Fig. 1 shows the alignment of the SDGs with each of the 5 Ps.

According to Agency theory, CG is a critical mechanism for all companies, helping reduce information asymmetries, controlling management behaviour and improving decision making [17]. Strong CG benefits not only FP but also sustainability performance. Furthermore, in accordance with Resource-Based theory, companies' tangible and intangible resources are limited and must be allocated efficiently in order to develop and maintain competitive advantages [16]. In this vein, the extent of a company's financial resources has a direct impact on its ability to address the SDGs [38], since the implementation of an effective corporate strategy for sustainability and competitive advantage requires appropriate financial resources [3].

Among other aspects, the FP dimension includes liquidity, profitability and indebtedness. Several empirical studies have identified a positive relationship between companies' socially responsible behaviour and their FP [38,39]. According to Ref. [40], liquidity generates the capacity for companies to prioritise SDGs and thus allocate the necessary cash flows for each SDG that is targeted.

It has been suggested that more profitable companies are more likely to submit high-quality reports of their engagement with non-financial issues such as the SDGs [41,42]. Other studies argue that the level of company borrowing is positively associated with SDG prioritisation, as highly indebted companies will usually disclose more information in order to reduce information asymmetries and hence the cost of capital [43,44]. In this regard, our analysis of FP focuses on the variables of liquidity, profitability and indebtedness, which serve to define the following hypothesis.

H1. FP is positively associated with SDG prioritisation (FP → SDG prioritisation).

The second study hypothesis concerns the structure of CG. According to Agency theory, CG can be viewed as a mechanism for reducing agency problems and enabling managers' actions to be closely monitored [22]. Moreover, good CG structure improves the quality of corporate reporting in both its financial and non-financial dimensions. Among other benefits, it enables companies to prioritise the SDGs in their business strategies [38,45].

Companies are well aware that maintaining good relationships with stakeholders is critical to their success [46], and so the board of directors will seek to ensure that management decisions are aligned with stakeholders' interests [22]. In this respect, although the relationship between CG and sustainable development practices has been investigated extensively [23], the indirect effect of CG on the relationship between FP and SDG prioritisation remains largely unexplored.

Previous studies have highlighted the important contribution made by independent board members to proper decision-making [22, 47]. For example, according to Ref. [48], these individuals positively influence the sustainability strategies of organisations and promote SDG prioritisation. In addition, it has been argued that including women on the company board contributes to organisational linkages with the SDGs in two ways. First, women's participation in policy and decision-making contributes directly to gender equality (SDG 5). Second, gender diversity on the board not only enriches discussions and improves the decision-making process, but also promotes corporate sustainability practices [6,49,50].

Furthermore, stakeholder theory holds that companies should incorporate stakeholder expectations into their corporate strategy [18]. In this connection, having a sustainability committee as part of CG is one of the best ways for companies to incorporate stakeholder demands into their corporate strategy [51,52]. Furthermore, the existence of a sustainability committee as part of CG allows companies to establish and apply a well-defined strategy for sustainability [38]. Considering the above context, the following hypothesis is proposed.

H2. A favourable CG structure has a positive effect on SDG prioritisation (CG structure → SDG prioritisation).

According to the tenets of Agency theory and Stakeholder theory, a robust CG structure enhances decision-making and hence FP [47]. Although FP is an effective mechanism through which to prioritise the SDGs, not all companies with good FP are actively engaged in accomplishing these targets. In this regard, CG plays a dual role: it not only enhances FP but also underpins and helps define the company's sustainability strategy. Therefore, CG plays a positive but indirect role in the relationship between FP and SDG prioritisation. While good FP is a necessary condition, it is not sufficient for a company to fully engage with Agenda 2030. Therefore, our final hypothesis is that.

Table 1
Sample composition.

Country/Industry	Brazil	Mexico	Argentina	Chile	Peru	Colombia	Panama	Total	%
Manufacturing	26	28	18	6	6	4	0	88	0.282
Finance and Insurance	11	16	9	8	5	7	1	57	0.183
Utilities	11	0	9	9	4	2	0	35	0.112
Commerce	11	10	2	7	3	1	0	34	0.109
Services	14	6	5	3	1	1	0	30	0.096
Construction	4	3	4	2	2	1	0	16	0.051
Mining	4	2	1	1	7	1	0	16	0.051
Real Estate	7	4	0	2	0	0	0	13	0.042
Transportation	3	6	2	1	0	0	1	13	0.042
Agriculture	1	1	3	0	0	0	0	5	0.016
Entertainment	1	3	0	1	0	0	0	5	0.016
Total	93	79	53	40	28	17	2	312	1.000
%	0.298	0.253	0.170	0.128	0.090	0.054	0.006	1.000	

H3. A favourable CG structure has a positive indirect effect on the relationship between FP and SDG prioritisation (CG structure → FP → SDG prioritisation).

3. Methodology

3.1. Sample

The study hypotheses were tested by reference to a sample of Latin American companies, recorded in the Refinitiv database (accessed in May 2023), with 2021 as the last year for which both financial and non-financial data were available. The final sample consisted of 312 companies operating in eleven economic sectors and seven countries. Table 1 details the sample composition by industry and country.

The Manufacturing (28 %), Finance and Insurance (18 %) and Utilities (11 %) sectors account for 58 % of the companies studied. According to Ref. [53], these industries represent sensitive sectors that have a direct impact on social and environmental factors. Within the sample, the companies from Brazil, Mexico and Argentina contribute most to this study, with 93 (30 %), 79 (25 %), and 53 (17 %) observations, respectively. Conversely, Colombia and Panama provide fewest observations, with 17 (5 %) and 2 (0.6 %), respectively.

3.2. Model

To test the study hypotheses, structural equations based on partial least squares (PLS-SEM) were used. According to Ref. [54], the PLS method is useful in the presence of formative constructs. In this study, all latent variables (LV) are formative constructs, which means that each LV is the product of its constituent indicators.

The PLS-SEM is an appropriate model with which to address the study questions we present because it enables us to assess the relationship between LV such as CG, FP and SDG prioritisation. These variables are composed of various indicators and hence are not directly observable. In our study context, to estimate the LV corresponding to FP, indicators of liquidity, profitability, leverage and size were taken into account, collectively representing FP. CG was measured through the following indicators: independence, gender diversity and the existence or otherwise of a CSR committee. Finally, SDG prioritisation was measured from the SDGs that make up each of the 5 Ps (detailed information on the measurement of each indicator and LV is given in section 3.3).

An additional benefit of using the PLS-SEM model is that it enables us to identify the mediating effects of variables. In other words, with the model illustrated in Fig. 2, not only can we see the direct effect of CG on FP and SDG prioritisation, we can also measure the indirect effect of CG on SDG prioritisation. However, to test the study hypotheses, we must first ensure that the indicators used

Table 2
Latent variable measurement.

Latent Variable	Indicator	Acronym	Measuring method
LV1. SDG_People	SDG1	SDG1	1: Prioritised; 0: Not prioritised
	SDG2	SDG2	1: Prioritised; 0: Not prioritised
	SDG3	SDG3	1: Prioritised; 0: Not prioritised
	SDG4	SDG4	1: Prioritised; 0: Not prioritised
	SDG5	SDG5	1: Prioritised; 0: Not prioritised
LV2. SDG_Planet	SDG6	SDG6	1: Prioritised; 0: Not prioritised
	SDG12	SDG12	1: Prioritised; 0: Not prioritised
	SDG13	SDG13	1: Prioritised; 0: Not prioritised
	SDG14	SDG14	1: Prioritised; 0: Not prioritised
	SDG15	SDG15	1: Prioritised; 0: Not prioritised
LV3. SDG_Prospersity	SDG7	SDG7	1: Prioritised; 0: Not prioritised
	SDG8	SDG8	1: Prioritised; 0: Not prioritised
	SDG9	SDG9	1: Prioritised; 0: Not prioritised
	SDG10	SDG10	1: Prioritised; 0: Not prioritised
	SDG11	SDG11	1: Prioritised; 0: Not prioritised
LV4. SDG_Peace	SDG16	SDG16	1: Prioritised; 0: Not prioritised
LV5. SDG_Partnership	SDG17	SDG17	1: Prioritised; 0: Not prioritised
LV6. Financial performance	Return on assets	ROA	$\frac{\text{Net profit}}{\text{Assets}}$
	free cash flow to assets	FCF_assets	$\frac{\text{Free cash flow}}{\text{Assets}}$
	Leverage	Lever	$\frac{\text{Liabilities}}{\text{Equity}}$
	Firm size	Size	$\text{Ln}(\text{Assets})$
LV7. Corporate governance structure	Independence	Ind Board	$\frac{\text{Independent members of the board}}{\text{Board size}}$
	Gender Diversity	Board_Gender_Diversity	$\frac{\text{Women on the board}}{\text{Board size}}$
	CSR Committee	CSR_Committee	1: There is a sustainability committee 0: There is no sustainability committee

Table 3
Descriptive analysis.

Variable	Obs	Mean	Median	Sd	Min	Max
ROA	312	0.048	0.036	0.072	-0.239	0.351
FCF_assets	312	0.067	0.066	0.103	-0.727	0.462
Lever	312	2.965	1.422	4.112	0.054	36.365
Size	312	8.077	8.118	1.610	3.679	12.825
Ind_Board	312	0.404	0.392	0.231	0.000	1.000
Board_Gender_Diversity	312	0.129	0.114	0.113	0.000	0.600
Dummy variables	Obs	Absolute frequency			Relative frequency	
		0	1		0	1
CSR_Committee	312	94	218		0.301	0.699
SDG1	312	218	94		0.699	0.301
SDG2	312	238	74		0.763	0.237
SDG3	312	143	169		0.458	0.542
SDG4	312	140	172		0.449	0.551
SDG5	312	142	170		0.455	0.545
SDG6	312	184	128		0.590	0.410
SDG7	312	148	164		0.474	0.526
SDG8	312	98	214		0.314	0.686
SDG9	312	143	169		0.458	0.542
SDG10	312	151	161		0.484	0.516
SDG11	312	164	148		0.526	0.474
SDG12	312	125	187		0.401	0.599
SDG13	312	110	202		0.353	0.647
SDG14	312	249	63		0.798	0.202
SDG15	312	188	124		0.603	0.397
SDG16	312	154	158		0.494	0.506
SDG17	312	162	150		0.519	0.481

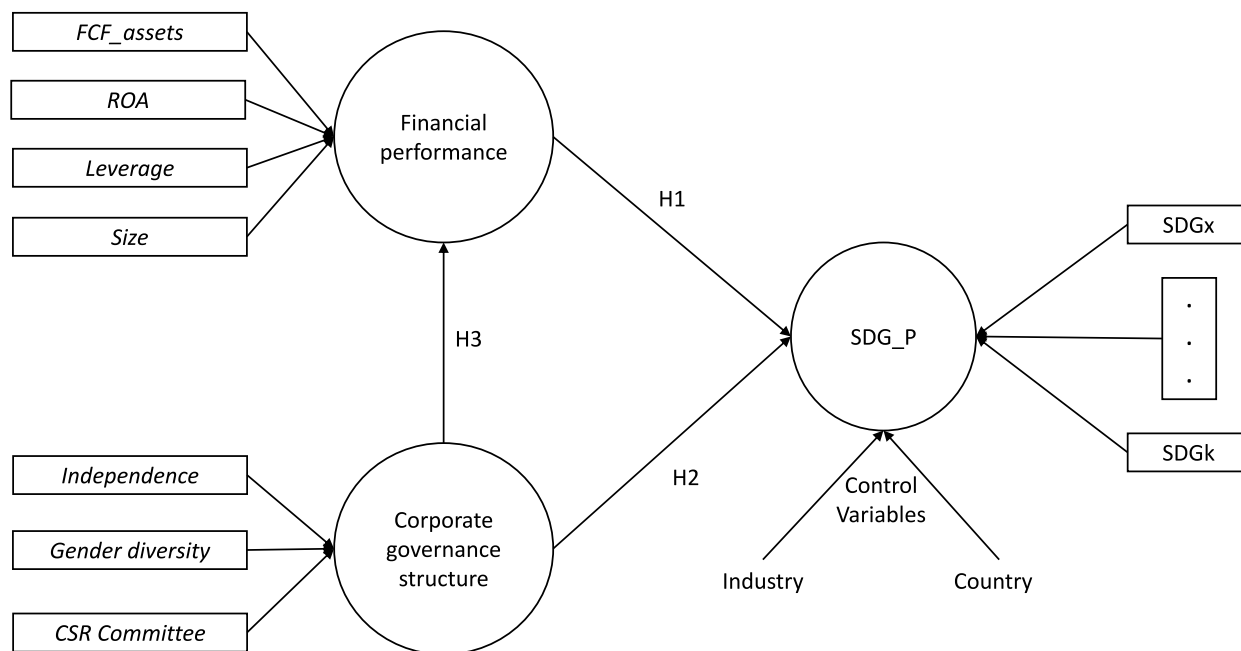


Fig. 2. Research model.

correctly measure each of the LVs (see Table 4). After confirming that the latent variables are properly measured, the structural part of the model is estimated, and the hypotheses can be tested (see Table 5).

SDG_P represents each of the 5 Ps to be assessed (People, Planet, Prosperity, Peace and Partnership), SDGx ... SDGk represents the SDGs of which each Pillar is composed. Thus, we generated five different models to analyse the impact of CG and FP on each "5P" SDG group, with FP serving as the mediating variable in the relationship between CG and SDG prioritisation.

Table 4
Reliability and content validity of the measurement model.

Latent Variable	Indicator	Weight	t-value	Loading	t-value	VIF
LV1. People	SDG1	0.196	1.538	0.692***	8.6899	1.697
	SDG2	0.041	0.357	0.501***	5.3053	1.441
	SDG3	0.179	1.283	0.755***	9.6392	1.802
	SDG4	0.427***	2.924	0.839***	11.5698	1.609
	SDG5	0.413***	3.303	0.848***	15.3235	1.737
LV2. Planet	SDG6	0.074	0.613	0.654***	8.7223	1.761
	SDG12	0.205	1.479	0.792***	12.7387	2.010
	SDG13	0.562***	3.876	0.914***	17.7309	2.105
	SDG14	0.225*	1.914	0.650***	7.4166	1.636
	SDG15	0.167	1.235	0.772***	11.5615	2.274
LV3. Prosperity	SDG7	0.333***	3.126	0.827***	17.3864	1.830
	SDG8	0.279**	1.981	0.864***	16.6626	2.608
	SDG9	0.153	1.316	0.751***	11.1297	2.062
	SDG10	0.322***	2.849	0.808***	14.872	1.762
	SDG11	0.153	1.548	0.713***	12.4519	1.726
LV4. Peace	SDG16	1.000	N/A	1.000	N/A	N/A
LV5. Partnership	SDG17	1.000	N/A	1.000	N/A	N/A
LV6. Financial performance	ROA	0.281***	2.658	0.364***	3.4757	1.343
	FCF_assets	0.080	0.684	0.199*	1.6563	1.337
	Lever	-0.210***	-2.033	0.038	0.3066	1.157
	Size	0.978***	19.877	0.910***	21.8924	1.117
LV7. Corporate governance	Ind_Board	0.435	4.268	0.517***	4.9648	1.030
	Board_Gender_Diversity	0.068	0.662	0.285***	2.6695	1.054
	CSR_Committee	0.846	12.591	0.894***	16.9151	1.035

Notes: ***p < 0.01; **p < 0.05; *p < 0.10.

N/A = Does not apply.

VIF=Variance Inflation Factor.

Table 5
Hypothesis testing.

Hypothesis	Coefficient	t-value
Total effects		
Financial performance → SDG People	0.314***	5.404
Corporate governance → SDG People	0.417***	7.650
Financial performance → SDG Planet	0.333***	5.309
Corporate governance → SDG Planet	0.436***	7.800
Financial performance → SDG Prosperity	0.345***	6.005
Corporate governance → SDG Prosperity	0.497***	9.896
Financial performance → SDG Peace	0.208***	3.902
Corporate governance → SDG Peace	0.348***	6.951
Financial performance → SDG Partnership	0.247***	4.369
Corporate governance → SDG Partnership	0.299***	5.363
Corporate governance → Financial performance	0.404***	8.215
Indirect effects		
Corporate governance → Financial performance → SDG People (VAF = 30.4 %)	0.127***	4.159
Corporate governance → Financial performance → SDG Planet (VAF = 30.8 %)	0.135***	4.117
Corporate governance → Financial performance → SDG Prosperity (VAF = 28 %)	0.139***	4.416
Corporate governance → Financial performance → SDG Peace (VAF = 24.1 %)	0.084***	3.248
Corporate governance → Financial performance → SDG Partnership (VAF = 33.4 %)	0.100***	3.606

Notes: ***p < 0.01; **p < 0.05; *p < 0.10.

R2 (Financial performance) = 0.16; R2 (Planet) = 0.26; R2 (People) = 0.29; R2 (Prosperity) = 0.36; R2 (Peace) = 0.18; R2 (Partnership) = 0.16.

Q2 (People) = 0.34; Q2 (Planet) = 0.22; Q2 (Prosperity) = 0.38; Q2 (Peace) = 0.11; Q2 (Partnership) = 0.12.

VAF= Variance Accounted For.

Results are controlled for industry, and country dummies.

3.3. Measures

In this study, five LVs were taken as independent variables. All were related to the 5 Ps used to classify the SDGs, following Refs. [3, 38]. The number of SDGs prioritised was assessed from the information published in the Refinitiv database. Several previous studies have used the level of SDG prioritisation as a proxy for SDG engagement [43,55]. This methodological approach enables us to determine companies' SDG prioritisation, according to the 5 Ps [38].

FP was measured by four indicators: liquidity, profitability, indebtedness and size. Liquidity was measured by the free cash flow-to-

assets ratio, as in Ref. [53]; profitability was measured using the ROA, following Ref. [38]; the leverage ratio was used to calculate indebtedness; and size was measured as the natural logarithm of assets, in line with Refs. [3,43].

The CG variables examined in this study were board independence, the inclusion of women on the board of directors, and the existence of a sustainability committee within CG committees. Board independence was measured according to the number of independent directors on the board [48]. The number of women on the board served as a measure of the inclusion of women on the board of directors [6]. The existence of a sustainability committee is a dummy variable that takes the value of 0 if no such committee exists within the CG structure and 1 if one exists [45].

Finally, industry and country were used as control variables. According to Ref. [53], companies prioritise different SDGs depending on the business sector in which they operate. SDG prioritisation may also be influenced by the economic, social and environmental policies of the context in which the firm operates [56]. Hence, and as pointed out by Ref. [45], companies operating within the same institutional context tend to behave in similar ways. Table 2 summarises the LVs considered and the indicators used to measure them.

4. Results

In this section, we first conduct a descriptive analysis of the study indicators that make up the LVs; we then consider the reliability and content validity of the measurement model, and finally we examine the results obtained by each of the study models. Table 3 shows the descriptive analysis of the indicators considered in this research.

The descriptive results in Table 3 reveal that only a minority of the companies examined prioritise SDG 1 and SDG 2 (30 % and 24 % of companies, respectively), although these issues are of crucial importance to Latin America. According to previous research, 32 % of the population in this region live in a situation of poverty and 22.5 % cannot afford a healthy diet [57,58]. Furthermore, fewer than 13 % of board members are women, which corroborates the argument that women in Latin America are under-represented in decision-making positions [47]. To verify that the proposed latent variables are correctly measured by the indicators, Ref. [59] suggests that the model measures should be validated, taking into account potential issues of multicollinearity among the indicators, because if there is perfect multicollinearity this will create a singular matrix and the model cannot be estimated. Moreover, high levels of multicollinearity (usually indicated by variance inflation factors >5) increase the standard errors of the estimations, leading to non-significant weights. Finally, the presence of multicollinearity may invalidate the weights obtained, and even invert their signs. It is also important to consider the loadings-to-weight ratio for each indicator. According to Ref. [60], the process for analysing this relationship is as follows.

- 1) Determine the relevance of each formative indicator using weights (not loadings)
- 2) If one indicator has a significant weight, it should be retained.
- 3) If one indicator has a non-significant weight:
 - a. If the corresponding loading is high (>0.50), the indicator is retained.
 - b. If the corresponding loading is low (<0.50) but:
 - i. Significant: the researcher must decide if this indicator overlaps with any other (delete the indicator) and its theoretical relevance (keep).
 - ii. Non-significant: delete the indicator.

Table 4 shows the reliability and content validity values obtained for the measurement model in generating the LVs.

As shown in Table 4, the VIF values for the LVs are all <5 , which means there is no multicollinearity. Moreover, the indicator weights for each LV are significant. Ref. [60] previously observed that when the weights are not significant, the loadings must be significant for them to be retained in the LV. Board size was initially included as a study variable, but was removed after conducting the weight and loading analysis, due to the observed lack of significance affecting the CG latent variable. Regarding LV4 and LV5, fitting weights and loading requirements are not necessary as each of these LVs is composed of a single indicator.

The results presented in Table 4 show that the LVs proposed are correctly measured by their respective indicators. The next step is to analyse the structural part of the model, by estimating the regressions between FP and SDG prioritisation (H1), CG structure and SDG prioritisation (H2), and CG structure and FP and SDG prioritisation (H3). Table 5 shows the estimation results for the five models used to test the study hypotheses. For each of the models considered, the results were controlled by industry and country dummies.

Table 5 shows that FP has a positive and significant effect on SDG People ($\beta = 0.314$, t -value = 5.404); SDG Planet ($\beta = 0.333$, t -value = 5.309); SDG Prosperity ($\beta = 0.345$, t -value = 6.005); SDG Peace ($\beta = 0.208$, t -value = 3.902); and SDG Partnership ($\beta = 0.247$, t -value = 4.369). In addition, the results show that CG has a positive and significant effect on SDG People ($\beta = 0.417$, t -value = 7.650); SDG Planet ($\beta = 0.436$, t -value = 7.800); SDG Prosperity ($\beta = 0.497$, t -value = 9.896); SDG Peace ($\beta = 0.348$, t -value = 6.951); and SDG Partnership ($\beta = 0.299$, t -value = 5.363). Therefore, hypotheses H1 and H2 are accepted.

Furthermore, Table 5 shows that CG has a positive and significant effect on FP ($\beta = 0.404$, t -value = 8.215), showing that FP has a mediating effect on the relationship between CG and SDG prioritisation. A variance-accounted-for (VAF) analysis was conducted to determine the magnitude of the indirect effect compared to the total effect. According to Ref. [59], VAF >80 % represents complete mediation, VAF ranging between 20 % and 80 % indicates partial mediation, and VAF <20 % suggests an absence of mediation. In the case of SDG People, 30.4 % of its variance is explained by the indirect relationship of the CG structure. This value is 30.8 % for SDG Planet, 28 % for SDG Prosperity, 24.1 % for SDG Peace and 33.4 % for SDG Partnership. Therefore, in all cases the mediation effect of FP is partial. These results confirm H3, that is, that the structure of CG is indirectly associated with the relationship between FP and SDG prioritisation. The R-squared values indicate the degree to which the dependent variables explain the independent ones in each

estimated model, and the Q-squared value is a measure of how well the observed variables can be replicated using the estimated parameters. According to Ref. [59], a Q-squared value > 0 implies that the model has predictive relevance.

5. Discussion

The study results confirm the significance of FP in companies' commitment to the SDGs. As shown in Table 5, enhanced FP significantly influences the prioritisation of the SDGs. This observation is in line with the conclusions drawn by Ref. [38] and Ref. [61], that companies exhibiting greater liquidity and profitability are more likely to possess the necessary resources to support specific SDGs. Moreover, these findings reinforce the assertions made by Ref. [62], that consistent returns facilitate the generation of free cash flow, thereby reinforcing companies' financial capacity to engage in sustainability initiatives. Furthermore, the outcomes illustrated in Table 5 corroborate the core tenets of Agency theory, in the sense that effective CG not only serves as a tool for managerial oversight but also functions as a mechanism to enhance business decision-making, ultimately leading to enhanced FP.

However, the most significant conclusion drawn from the present study is that CG plays a dual role in the relationship between FP and SDG prioritisation. Although several studies, such as Refs. [63–65] have reported a positive impact of CG composition on achieving the SDGs, and others [38,66] have recorded a positive effect of FP on SDG prioritisation, no previous research has demonstrated the indirect impact of CG on the relationship between FP and SDG prioritisation in Latin America. This finding is in accordance with the principles of Stakeholder theory and Resource-Based theory, which assert that an appropriate CG structure benefits not only the interests of shareholders but also those of all stakeholders. Thus, CG plays a crucial role in the allocation of financial resources in strategic aspects for companies, such as the prioritisation of SDGs, offering them competitive advantages in the market.

The findings of this study are of crucial importance within the Latin American context, highlighting not only that companies should generate sufficient resources to prioritise the SDGs, but also the importance of their having a sustainability-oriented CG structure. While our study results confirm that CG has both a direct and an indirect impact on SDG prioritisation, there remains considerable room for improvement in this respect in the CG structure of Latin American companies, and consequently in their prioritisation of the SDGs. Although, on average, company boards include over 40 % of independent directors (Table 3), this is influenced by the CG regulations in the majority of countries in the region which mandate a minimum presence of independent members on the board of directors. However, these regulations do not impose any obligation to form a sustainability committee, nor do they set a minimum percentage of female participation on the board of directors.

Most of the companies in the study sample (69.9 %) have a sustainability committee (Table 3), and our findings suggest that its existence has a positive impact on the prioritisation of SDGs. Despite this already considerable presence, the proven importance of such a committee means that regulators should contemplate making it obligatory, similar to the current status of the audit committee. This consideration has been highlighted by Ref. [67], who observed that the presence of a sustainability committee enables businesses to establish a well-defined sustainability plan in line with their corporate objectives [52]. Furthermore, the presence of a sustainability committee would promote sustainability initiatives and enhance the quality of non-financial disclosure, enabling companies to improve their relationships with stakeholders [67].

Similarly, there is significant room for improvement regarding the inclusion of women on boards of directors. Table 3 shows that on average, 12.9 % of board members are women, roughly equating to one woman on each board, as the boards of most of the companies considered in this study have around ten members. This finding corroborates the view that in the Latin American context, the inclusion of women in positions of power is very limited, meaning there is little diversity in boards of directors, a shortcoming that correspondingly limits the prioritisation of the SDGs. Increasing gender diversity in CG in Latin America would have two beneficial impacts on the 2030 Agenda. Firstly, it would directly contribute to SDG 5, helping close the gender gap in this region. Secondly, the increased diversity of viewpoints thus produced on boards of directors would increase the likelihood of their committing to the SDGs and prioritising the targets related to their activities.

The results of this study demonstrate the importance of shareholders implementing rigorous policy changes to strengthen the structures of CG. Such policies would not only help companies meet shareholders' expectations but would also address stakeholders' demands. The positive impacts, both direct and indirect, of CG on SDG prioritisation highlights the significance of CG in furthering Agenda 2030. Therefore, it is crucial for regulators to introduce legislation mandating companies, both listed and non-listed, to ensure there is gender diversity on their boards, and to establish sustainability committees.

6. Conclusions

In this study, we analyse the impact of CG and FP on SDG prioritisation, taking FP as a mediating variable. The empirical findings obtained show that both FP and CG have a positive influence on firms' SDG prioritisation. FP also has a partial mediating effect on the relationship between CG and SDG prioritisation, while CG structure has a positive indirect effect on the relationship between FP and SDG prioritisation. These findings were derived from a study of firms operating in the emerging economies of Latin America. The study results are of great importance in the Latin American context, showing that factors related to FP and CG influence SDG prioritisation and hence compliance with the 2030 Agenda.

This research provides empirical support to Agency theory and Stakeholder theory, demonstrating that the existence of an appropriate CG structure and of a sustainability committee favour SDG prioritisation within corporate strategies, via the following mechanisms: agency problems would be reduced, as managers' actions are controlled, as would information asymmetries, while stakeholders' demands would be more closely reflected in corporate actions. In addition, this study provides empirical support for the Resource-Based theory, as it suggests that allocating financial resources towards SDG prioritisation can generate competitive

advantages for firms.

Our research findings have significant implications for companies, as stakeholders are increasingly demanding information on how firms are contributing to the 2030 Agenda. These results are also important for regulators seeking to create a CG framework that ensures gender diversity on boards, a significant presence of independent board, and the existence or creation of a sustainability committee. By insisting on the fulfilment of these conditions, regulators can foster progress on sustainable development issues. Finally, high-level decision-making bodies must exercise extreme caution when structuring CG, as this question is of crucial importance in reducing agency problems and in ensuring the provision of high-quality information, referring not only to financial dimensions but also to sustainability.

As concerns the limitations of this study, its findings are derived exclusively from an analysis of large Latin American firms. These organisations usually have sufficient resources to generate sustainability information reports detailing their commitment to the SDGs. In comparison with smaller companies, these firms are also more exposed to regulations and market pressures. The study results might differ if the sample were expanded to include small and medium-sized Latin American businesses. Furthermore, a sectoral analysis should be developed as a future line of research to determine how the SDGs are prioritised by different sectors of the economy. A study might also be conducted to establish an order of SDG prioritisation, to effectively contribute to the achievement of the 2030 Agenda.

CRedit authorship contribution statement

Diego Andrés Correa-Mejía: Writing – original draft, Methodology, Formal analysis, Conceptualization. **María Antonia García-Benau:** Writing – review & editing, Validation. **Jaime Andrés Correa-García:** Writing – review & editing, Validation.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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