

The effect of corporate governance on SDG performance of Italian listed companies

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Abstract

Adopting agency and stakeholders' theories, this study examines the relationship between corporate governance and sustainability performance, focusing on Italian listed companies. Specifically, this study investigates which corporate governance attributes, such as board size, the presence of independent members and the institution of social committees, influence the achievement of Sustainable Development Goals (SDGs). Based on a quantitative approach, this study has employed an ordinary least squares (OLS) regression model, and data have been collected from a sample of 234 companies extracted from the ATOKA-CERVED database. Findings suggest that the presence of independent members, and a sustainability committee, positively contributes to the achievement of SDGs. Regarding theoretical implications, our study supports the valid agency and stakeholder theories, suggesting that the greater heterogeneity of the Board (independent directors) and the establishment of sustainability committees seem to reduce agency problems and promote sustainability. Concerning the practical implication, this study offers relevant information to entrepreneurs and managers. Specifically, it recommends diversifying the Board of Directors with independent directors and establishing dedicated committees to address sustainability themes.

Keywords: Board of directors, Board of independent directors, Sustainability committee; Sustainability performance, SDGs, Italian listed companies

1. Introduction

Over the last two decades, environmental, social and ethical performance has become increasingly important in the corporate world. The Agenda 2030

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includes a call to action for the private sector, especially large and transnational companies, to adopt sustainable practices to integrate sustainability into their strategies (Van Zanten and Van Tulder et al., 2018; Galeazzo et al., 2024) in terms of achieving the 17 Sustainable Development Goals (SDGs) (UN, 2015). This step represents one of the biggest challenges companies face and requires a multi-level organisational change (Marchi, 2020; Castellano & Felden, 2021; Olivotto, 2022; D'Onza, 2022). The implementation of SDGs at the strategic level passes necessarily through the revision of the corporate governance's mechanism, of which the board of directors (BoD) is a crucial component (Bear et al., 2010; Michelon and Parbonetti, 2012; Chams and García-Blandón, 2019; Naciti, 2019; Naciti et al., 2022; Disli and Yilmaz, 2022). The latter is a body in which relevant decisions are taken and policies are defined, including sustainability issues (Krechovská and Procházková, 2014; Naciti et al., 2022). Scholars have pointed out that the structure of the BoD is a key driver to social and environmental achievements (Post et al., 2011; Lawrence et al., 2013), affecting financial and non-financial goals (Galbreath, 2018; Sentuti et al., 2020). Moreover, in an effective governance system, the BoD should work in a way that the managers' decisions reflect the shareholders' and stakeholders' interests (Eberhardt-Toth, 2017; Hussain et al., 2018; Naciti 2019; Naciti et al., 2022).

Bearing this in mind, a considerable stream of literature has focused on the role of the BoD, in particularly its composition, in creating sustainable value for shareholders and stakeholders and fulfilling the new sustainable objectives (Michelon and Parbonetti, 2012; Cucari et al., 2018; Mahmood et al., 2018).

The literature has shown that diversity in the BoD (e.g. independent directors, female directors, CEO duality, board age, board size, committees, etc.) can provide organisational and competitive advantages, such as attracting valuable human resources and increasing financial and non-financial performance. However, empirical research has produced different and conflicting results, giving way to further in-depth analysis. Thus, until now is has not been clear which attributes of corporate governance influence sustainability performance (Spitzeck, 2009; Post et al., 2011; Hussein et al., 2018; Cucari et al., 2018; Chams and García-Blandón, 2019; Naciti, 2019; Orazalin, 2020; Naciti et al., 2022), and the research gap is still unfilled. This seems to be particularly true in the Italian context, in which the literature on this topic is scarce (Cucari et al., 2018; Naciti, 2019).

To fill this gap, this paper explores the effect of corporate governance on sustainability performance, identifying which attributes of corporate govern-

ance, such as independent directors, CEO duality, board size and sustainability committee, are more valuable for reaching SDGs.

In carrying out such an analysis, our standpoint is that the board of directors represents a pivotal internal corporate governance mechanism that has the power to affect the quality of the decision-making process, as well as the company's success. In this respect, it is recognised with three leading roles: strategic, by actively contributing to the strategic decision-making process; control, by monitoring company performance and compliance; and resource dependence, by establishing and managing relations with external stakeholders (Zattoni, 2020). Thus, the composition of the board is a critical determinant of socially responsible behaviours influencing financial and non-financial objectives (Webb, 2004; Bear et al., 2010; Post et al., 2011; de Graaf and Stoelhorst, 2013; Galbreath, 2018; Radu et al., 2022). Adopting agency and stakeholder theories, two dominant paradigms that explain the connection between the BoD and sustainability issues (Naciti et al., 2022), we have assumed that the board is not a homogeneous group, and its diversity, in terms of independent directors, non-CEO duality, board size and sustainability committee, may contribute to the reduction of agency problems and stimulate an efficacy oversight for management and protect shareholder's and stakeholders' interests, improving sustainability performance.

We have analysed a sample of 153 Italian-listed firms. The Italian context is of particular interest in the testing of our hypothesis due to the structure of the board and the new Italian Corporate Governance Code (ICGC) published in 2020. According to the Board Index (Italy BI, 2023), Italian listed firms are composed on average of 11 members, with a decreasing trend compared to 10 years ago (12.2); 55% of the board are independent directors, with little increase over time, and 76% of companies have a sustainability committee, an increase on past years. The latter data can be considered an effect of the introduction of corporate social responsibility issues into the ICGC, which highlights the pivotal role of the members of corporate governance in driving the firm's sustainability success (Italian Corporate Governance Committee, 2020). In this sense, Italian legislation – e.g. the transposition of the EU Directive 2014/95 into the Legislative Decree 254/2016 and the last Directive 2022/2464 – has also provided significant impetus towards the integration of sustainable practices in self-regulation codes (CICG, 2023). Moreover, although other countries (such as France, Germany and England) have also updated their codes, the Italian one is considered one of the most binding and incisive in terms of sustainability (Pedrini et al., 2023). For these reasons, we find the Italian context well-suited to the purpose of the research.

Our findings confirm that the board's attributes affect the sustainability

performance. Particularly, results show that the existence of sustainability committees and independent members on the board of directors play a fundamental role in achieving successful non-financial performance.

The remainder of the article describes our theoretical framework, develops our hypotheses (Section 2) and presents the research method, sample and definition variables (Section 3). Then, we reveal our results (Section 4), ending with the discussion (Section 5) and conclusions (Section 6).

2. Literature review

In recent decades, research on corporate governance has increased significantly because of the pivotal role it supposedly plays in making sustainability an integral part of the business strategy and in aligning the interests of shareholders and stakeholders to achieve SDG performance. The relationship between corporate governance structure – such as the board of directors – and sustainability performance has been studied by resorting to different theories (e.g., agency theory, stakeholder theory, legitimacy theory, resource dependency theory), although the two predominant theories have been agency theory (Jensen & Mechling, 1976) and stakeholder theory (Freeman, 2010). This study uses these two complementary perspectives to provide more insight into the link between board attributes and sustainability performance.

Agency theory describes the relationship between principal and agent, addressing the relationship from a behavioural and a governance point of view. The agency relationship usually arises when one party (the principal or shareholder) hires another person (the agent or managers) to perform a task. This theory suggests that agents are more likely to adopt opportunistic behaviours rather than those aimed at maximising the interest of the principal. To mitigate this problem, the principal enacts some mechanisms to reduce the manager's discretionary powers and minimise behaviours contrasting with their own interests (Jensen & Mechling, 1976). In this context, the board of directors is one of the most important internal governance mechanisms to address the agency's problems and align the interests of the agent-principal.

Stakeholder theory also explains the relationship between two parties, the principal and the manager. Like agency theory, it addresses this relationship from a behavioural and a governance perspective. Stakeholder theory holds that 'companies and society are interdependent and therefore the corporation serves a broader social purpose than its responsibilities to shareholders' (Kiel

& Nicholson, 2003, p. 31). According to this paradigm, the board of directors is responsible for taking care of the interests of shareholders and all stakeholders, including interest groups linked to social, ethical and environmental issues (Freeman, 1984; Freeman et al., 2010). Hence, the board of directors must guarantee that the company can meet the needs and benefits of stakeholders in terms of financial and non-financial performance (de Graaf and Stoelhorst, 2013).

2.1 The presence of independent directors and sustainability performance

“Independent director” refers to a board member who does not have a material relationship with a company, nor is part of its executive team. According to agency theory, independent directors play a crucial role in supervising agents’ decisions (Fama and Jensen, 1983). They avoid conflicts of interest and make it possible to exercise better control of the board’s effectiveness, reducing agency costs (Fama and Jensen, 1983; Said et al. 2009). Insisting on scrupulous adherence to the law and championing the interests of minority stakeholders are significant to the role of independent directors (Fama and Jensen, 1983). Furthermore, they are seen as the interface between external stakeholders and the company (Akpan and Amran, 2014). Greater independence is also expected to foster new insights as regards environmental and social stakeholders, unlike the classic models which concentrate exclusively on financial performance (Galbreath, 2011). Furthermore, their different backgrounds, incentives and time frames mean that independent directors are more inclined to focus on non-financial, long-term goals (Zahra and Stanton, 1988; Post et al., 2011; Liao et al., 2015), which translates into the readiness to support responsible policies and sustainable goals (Jo & Harjoto, 2011). From the stakeholder perspective, the presence of independent directors improves management activities designed to protect stakeholders and reduce conflicts of interest between them and the BoD (Patelli and Prencipe, 2007). This theory leads us to expect that the independence of the BoD has a positive impact on sustainability performance given that these individuals are less influenced by pressure from shareholders. In this respect, independent directors can be seen as promoting a fair balance among the interests of the various stakeholders.

Therefore, the presence of independent directors on the BoD positively and significantly influences sustainability performance since these individuals, in line with the principles of agency theory, strengthen control over management decisions and reduce agency costs while ensuring, according to

stakeholder theory, a fair balance between the interests of shareholders and those of other stakeholders.

In this respect, empirical literature offers conflicting results. Garcìa-Blandon and Argiles (2017) showed that outside directors obtain better results, in terms of financial, environmental and social performance, compared to non-outside directors. Similarly, Post et al. (2015), Hussain et al. (2018), Naciti (2019), Martínez-Ferrero and García-Meca (2020) found that a BoD mainly made up of independent directors has a positive influence on environmental and social performance. Conversely, Eng and Mark (2003) demonstrated that a higher presence of independent directors is negatively associated with social disclosure; Naciti (2019) showed a negative relationship between independent directors and sustainability performance. Others discovered no link between the two (Michelon and Parbonetti, 2012; Chams and García-Blandón, 2019; Disli and Yilmaz, 2022). Based on the theoretical framework and the results of previous studies, it is assumed that the presence of independent directors on the board will lead to better sustainability performance. Therefore, the following hypothesis has been formulated:

H1. The presence of independent directors on the board positively and significantly influences sustainability performance.

2.2 CEO duality and sustainability performance

The separation of the Chair and CEO roles on the board is the other widely used characteristic of board diversity. The so-called CEO duality occurs when the same person holds both the CEO and board chairperson positions. From the agency theory point of view, duality promotes CEO entrenchment by reducing board monitoring effectiveness (Rechner and Dalton, 1991; Hussein et al., 2018; Naciti, 2019). The overlapping of roles undermines the control mechanism by giving the CEO disproportionate decision-making powers and hampering the ability of the board to restrain conduct deemed to be opportunistic. According to Webb (2004), companies distinguished by the overlapping of roles tend to be more financially oriented and, consequently, are less committed to societal issues. In light of this tendency, the agency perspective suggests that CEO duality may weaken governance (Jensen and Meckling, 1976; Daily and Dalton, 1993) and lead the CEO to fail to give priority to social performance. From the stakeholder theory perspective, CEO duality may have a negative influence on the firm's social performance since the concentration of power in the hands of one person restricts diversity of opinion and inhibits the board's ability to consider and respond to the demands of all the stakeholders. Michelon and Parbonetti

(2012) have argued that this duality limits the independence of the board and, consequently, weakens the control mechanisms. From this viewpoint, separating the roles of the chairman of the board and the CEO can enhance the effectiveness of the control, reduce agency costs and also improve sustainability performance (Naciti, 2019).

A set of studies offers empirical evidence on the relationship between CEO duality and corporate sustainability performance. Mallin et al. (2013) found proof of the positive impact of non-CEO duality and sustainability reporting practices; similarly, Arena et al. (2015) found a positive link between CEO duality and environmental performance, and Naciti (2019) noted a significant association with sustainability performance. On the other hand, Liao et al. (2015), Michelin and Parbonetti (2012) and Barako et al. (2006) detected a insignificant relationship between CEO duality and sustainable practices. Based on the theoretical arguments and the empirical evidence of prior studies, it is assumed that the existence of CEO duality will negatively affect sustainability performance. Thus, we have formulated the following hypothesis:

H2. CEO duality negatively and significantly influences sustainability performance.

2.3 Board size and sustainability performance

Board size refers to the number of components making up the board. Empirical studies have shown fragmented results regarding the relationship between board size and sustainability performance. According to agency theory, this could induce less optimal monitoring in firm governance as size increases, in turn, augmenting agency problems and information asymmetries (De Andres et al. 2005). It is commonly argued that the larger the board size, the less effective the monitoring, communication and decision-making. (Ahmed et al., 2006; Amran et al., 2014; Hussein et al., 2018). However, stakeholder theory posits that companies with more numerous boards are usually perceived as a more heterogeneous group that is more sympathetic to stakeholders' demands; consequently, directors are more committed to social and ecological issues (Chams and García-Blandón, 2019). From the stakeholder point of view, a more numerous board means that the interests of the stakeholders are likely to be more completely represented; the fact that the board is larger increases the chance of it having directors with a wide range of perspectives and experiences, reflecting the interests of other parties such as the local community, employees, the environment, etc. In this sense,

the presence of many directors should ensure a broad range of views on sustainability issues, as well as a varied range of relevant expertise (Guest, 2009; Zaid et al., 2020). Several studies have shown a positive relationship between board size and social/environmental performance (Arena et al., 2015; Chams and García-Blandón, 2019; Zaid et al., 2020). Nevertheless, other scholars have noted an insignificant relationship between board size, sustainability reporting and environmental performance (Amran et al., 2014; Michelin and Barbonetti, 2012; Hussein et al. 2018; Disli and Yilmaz, 2022). Taking into account everything mentioned above, it is assumed that board size positively affects sustainability performance. Thus, we have formulated the following hypothesis:

H3. The size of the BoD positively and significantly influences sustainability performance.

2.4 Sustainability committee and sustainability performance

The existence of a sustainability committee within the BoD is one characteristic of diversity that has recently come to the fore and is receiving increasing attention in the literature. Sustainability committees are dedicated sub-committees made up of board members and are responsible for drawing up the sustainability policies to be pursued by the company (Eberhardt-Toth, 2017). Committee duties range from a general focus on overall sustainability policies and procedures to specific attention to stakeholder groups (Cucari et al., 2018), for instance, employees or the community in which they operate.

According to agency theory, in principal-agent relations, it is essential to discover ways of reducing conflicts of interest and curbing opportunistic behaviour on the part of management (Hillman and Dalziel, 2003). In this respect, the presence of a sustainability committee can serve as a tool to monitor and improve sustainability performance, reducing the risk of management focusing on short-term profit at the expense of social aims (Harjoto and Jo, 2011). According to stakeholder theory, creating an ad hoc body specifically to address corporate social responsibility issues is a sign of a firm's real commitment to sustainability (Amran et al., 2014; Biswas et al., 2018; Hussain et al., 2018). From the stakeholder theory perspective, these committees should support boards in managing sustainable actions, and monitoring sustainability risks (Mahmood et al., 2018). Consistent with this view, Eberhardt-Toth (2017) stressed the importance of sustainability committees as a means of attending to matters affecting all stakeholders, and also enhancing the legitimacy of their respective organisations, thereby boosting their sustainability performance.

Therefore, the presence of a sustainability committee within the BoD positively and significantly influences sustainability performance, by addressing key agency and stakeholder dynamics. From the agency theory perspective, such committees serve as mechanisms to monitor management decisions, ensuring alignment with long-term organizational goals and reducing opportunistic behavior. Simultaneously, as posited by stakeholder theory, these committees embody the organization's commitment to integrating diverse stakeholder interests into corporate strategy, fostering legitimacy and proactive management of sustainability risks. This dual role enhances the organization's capacity to achieve balanced and improved sustainability outcomes.

Empirical literature has revealed different results. Some scholars have found that the existence of sustainability committees positively influences the environmental and social performance of firms (Hussein et al., 2018; Spitzeck, 2009; Mallin and Michelon, 2011; Orazalin, 2020), as well as their sustainability disclosure (Michelon and Parbonetti, 2012; Cucari et al., 2018; Zampone et al., 2024; Nicolo' and Andrades-Peña, 2024). Other studies have not discovered any significant results linking the two (Liao et al., 2015; Chams and García-Blandón, 2019). However, the assessment of the effective role of these committees and their influence on sustainability performance has only been partially investigated in the literature (Chams García-Blandón, 2019). Based on the theoretical arguments and empirical findings of prior studies, it is assumed that the existence of a sustainability committee leads to better sustainable performance. Thus, we propose the following hypothesis:

H4. The existence of a sustainability committee positively and significantly influences sustainability performance.

3. Research method

A total population of 234 Italian-listed companies was extracted in June 2023 from the ATOKA-CERVED database; however, due to missing data on sustainability performance, the final sample consists of 153 firms. Data for the dependent, independent, and control variables were collected from the ATOKA-CERVED database. Specifically, the information gathered concerning sustainability performance (measured through SDG performance) and board of directors' characteristics are provided in Table 1, and refer to the fiscal year 2022. The fiscal year 2022 was chosen because it represents the most recent year for which complete and reliable data was available at the time of analysis. Utilizing the latest data ensures that the study reflects

the most current practices and trends in corporate governance and sustainability, providing a relevant and timely perspective on these topics. Moreover, analysing governance data from 2022, and the associated SDGs, is important for many reasons, including the regulatory context and the evolution of governance practices. In 2022, new regulations and global initiatives concerning sustainability and corporate accountability were implemented, such as the Corporate Sustainability Reporting Directive (CSRD) in Europe. Understanding how companies adapted to these regulations provides valuable insights into governance practices and their impact on the SDGs. Additionally, 2022 represented a transitional period for many organisations as they navigated challenges posed by the pandemic, climate change and other global crises. Analysing governance data from this year enables an evaluation of how companies restructured their practices to address these challenges and enhance their approach to sustainability issues.

After the data collection, a descriptive statistics analysis was employed to deeply understand the corporate governance characteristics and firms' performance. A Pearson correlation was used to provide information about the magnitude of the association, or correlation (Schober et al., 2018) between SDG performance and board of directors' features. And, finally, the ordinary square regression model (OLS) was used to test the hypotheses and to verify the effect of board of directors' characteristics on the SDG performance. Specifically, the empirical model the equation below:

$$\begin{aligned}SDG_{S_{perf}} = & \alpha_i + \beta_1 S_{ust_{committe}i} + \beta_2 B_{oD_{size}i} + \beta_3 B_{oD_{inde}i} \\ & + \beta_4 C_{EO_{dualit}y_i} + \beta_5 F_{irm_{size}i} + \beta_6 F_{irm_{age}i} \\ & + \beta_7 R_{OA}_i + \beta_8 S_{ector}_i + \epsilon_i\end{aligned}$$

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Table 1 - Summary of the measures and variables of the study

Name of variables	Abbreviations	Measurements	Type of variables
Sustainability performance	SDGs_Perf	The SDG propensity score (as a proxy of sustainability performance) provides an indication of the company's sensitivity and commitment to the SDG objectives. The score is calculated based on three main aspects: 1. a profile baseline defines aggregate statistics and the analysis on the sector/segment to which the company belongs (ISTAT data, EU sustainable finance taxonomy, etc.); 2. detailed information (granular data) collected from thousands of sources (certifications, news, websites, sustainability reports, etc.) concerning the individual company; 3. a network effect at the group level and along the supply and value chains. The score assumes values between 1 (low) and 100 (high). According to the score's value, a distinction is made based on 4 different classes: high, good, medium and low.	Dependent variable
Presence of sustainable committee	Sust_committee	1 if there is any Social Responsibility/Charity Committee or Ethics/Integrity Committee/or Environmental/Health/Safety Committee; 0 otherwise.	Independent variable
Board size	BoD_size	The total number of directors on the board.	Independent variable
Board independence	BoD_inde	Percentage of independent members on the board of directors.	Independent variable
CEO duality	CEO_duality	1 if CEO is both Executive director and chairman of BoD; 0 otherwise.	Independent variable
Firm size	Firm size	measured by the logarithm of the number of employees.	Control variable
Firm age	Firm age	as a natural log of the number of years since the firm's foundation.	Control variable
Profitability	ROA	as a ratio of operating income and total assets.	Control variable
Firm sector	Sector	1 if the firm's sector of activity is manufacturing; 0 otherwise.	Control variable

4. Results

The final sample is composed of 153 firms, and according to the ATECO codes 2007, the sample's listed companies belong to the following sectors of activity (as shown in Table 2): C–manufacturing; M– Professional, scientific and technical activities; K– financial and insurance activities; J– Information and communication; G- wholesale and retail trade and repair of motor vehicles and motorcycles; H-transporting and storage; E-water supply and sewerage, waste management and remediation activities; N- administrative and support service activities; F- construction; L- real estate activities; I- accommodation and food service activities; R- arts, entertainment and recreation; and, S-other service activities. The company's sample in this study presents an average age of 40 years; however, this data reflects a mix of both well-established and newer companies. The youngest firm in the sample has been in operation for 5 years, while the oldest firm boasts a remarkable 192 years of activity.

Table 2- Firms for the sector of activities

Sector	Number of firms
C–Manufacturing	60
M– Professional, scientific, and technical activities	24
K– Financial and insurance activities	22
J– Information and communication	12
G- Wholesale and retail trade and repair of motor vehicles and motorcycles	9
H-Transporting and storage	8
E- Water supply and sewerage; waste management and remediation activities	7
N- Administrative and support service activities	4
F- Construction	3
S- Other services activities	1
R- Arts, entertainment, and recreation	1
I- Accommodation and food service activities	1
L- Real estate activities	1

The sample's territorial dimension was determined according to the definition of northern, southern and central Italy used by the Italian Institute of Statistics (ISTAT). Marche, Lazio, Umbria and Tuscany belong to the central region. Valle D'Aosta Piemonte, Liguria, Lombardia, Emilia-Romagna, Veneto and Friuli-Venezia Giulia belong to the Northern region. Finally, Sardinia, Sicily, Calabria, Basilicata, Puglia, Campania, Molise and Abruzzo belong to the southern region. Specifically, the sampled companies are mainly located in the northern region, followed by firms located in the central and southern regions, as shown in Table 3.

Table 3 - Firms for geographic localisation

	Number of firms	%
North	118	77%
Centre	32	21%
South	3	2%

Table 4 shows descriptive statistics for the sample in terms of SDG performance. 94% of companies have high performance, while 4% and 2% of companies reach good and medium levels of performance, respectively. Specifically, Table 5 provides data on the SDG performance score based on the sustainable score. The average high of SDG performance equals 84.08%, with a standard deviation of 8.03, a minimum value of 69, and a maximum value of 100. The average good SDG performance is 63, with a standard deviation of 2.26, a minimum value of 59 and a maximum value of 66. The average medium SDG performance is 49, with a minimum value of 45 and a maximum value of 52.

Table 4 - Firms for SDG performance

	Number of firms	%
High	144	94%
Good	6	6%
Medium	3	2%

Table 5 - SDG performance based on sustainable score

	High	Good	Medium
Mean	84,08	63,00	49
Std. Dev	8,03	2,26	3,61
Min	69	59	45
Max	100	66	52

Table 6 presents a detailed analysis of the goals of the SDGs met by the listed companies. The data is derived from the ATOKA-CERVED database, in which the association between companies and the SDGs is identified in two primary ways. First, explicitly, through documents such as sustainability reports, where companies directly identify their target SDGs. Second, implicitly, by linking specific data sources to relevant SDGs. For instance, companies that use renewable energy are associated with SDG 7: Affordable and Clean Energy, while for ISO certifications, the corresponding goals are provided by the certifying organization.

Data show that firms are more likely to invest in activities and processes devoted to meeting the following objectives: 9-Industry; innovation, and infrastructure; 8-Decent work and economic growth; 13-Climate actions; 12-Responsible consumption and production; 3-Good health and well-being; 16-Peace, justice, and strong institutions; 11-Sustainable cities and community; 7-Affordable and clean energy; and 6-Clean Water and Sanitation. Instead, goals such as 1-No poverty, 2-Zero Hunger, 17-Partnerships to achieve the goal, 4-Quality Education, 10-Reduce inequalities and 5- Gender Equality appear to be considered less.

62.09% (95 companies out of 153) of the sample declared to have established a Social Responsibility/Charity Committee, Ethics/Integrity Committee or Environmental/Health/Safety Committee. However, data show that the committee is predominantly present in firms with high SDG performance (91 firms out of 144) and those with good SDG performance (4 firms out of 6). Instead, firms with medium SDG performance declared to have not created a specific committee responsible for sustainability issues.

Table 6 - Firms for Sustainable Development Goals

Sustainable development goals	Number of firms	%
9 - Industry, innovation and infrastructure	123	80%
8 - Decent work and economic growth	108	71%
13 - Climate action	105	69%
12 - Responsible consumption and production	104	68%
3- Good health and well-being	97	63%
16 - Peace, justice, and strong institutions	87	57%
11 - Sustainable cities and communities	86	56%
7 - Affordable and clean energy	83	54%
6 - Clean water and sanitation	78	51%
15 - Life on land	74	48%
14 - Life below water	71	46%
5 – Gender equality	47	31%
10 - Reduced inequalities	46	30%
4 - Quality education	43	28%
17 - Partnerships for the goals	21	14%
2 – Zero hunger	9	6%
1 - No poverty	8	5%

Table 7 provides descriptive statistics for the sample concerning the BoD' characteristics. The average board size is 13.37, with a standard deviation of 7.71, a minimum value of 3 and a maximum value of 33. The average number of independent board members is 4.57, with a maximum value of 13 independent members. The average board member's age is 54.48, with a minimum value of 49 and a maximum value of 62. Moreover, the CEO plays a dual role in 24.83% (38 firms out of 153) of the sample, and only 5 CEOs out of 153 (4%) are female, while 148 CEOs out of 153 (96%) are male.

Finally, regarding the chairman role, 19 Chairmen out of 153 are female (12%).

Table 7 - Firms' Board of Directors' characteristics

	Mean	Std. Dev	Min	Max
Board_size	12.77	5.67	3	33
Board_inde	4.57	2.62	0	13
CEO duality	0.62	0.48	0	1
Sust_committee	0.22	0.42	0	1

To measure the linear correlation between the SDG performance and board of directors' characteristics, the Pearson correlation was applied, as shown in table 8. In all the cases, the coefficients of Pearson correlation are lower than 64%. Note that * indicates significance at the level of 0.05.

According to Schober et al. (2018), the correlation coefficients are distinguished in weak and moderate. SDG performance is weakly and positively correlated with the firm's committee responsible for sustainability issues (0.1780), independent members on the board of directors (0.1780), with firms' age (.1658), and ROA (.2598). Conversely, it is weakly and negatively correlated with firms' size (0.1698). The sustainability committee is weakly and positively correlated with independent members on the board of directors (0.2175). Board size is weakly and negatively correlated with independent members on the board of directors (0.2727) and weakly and positively correlated with firms' age (0.2325). The independence of the board is weakly and negatively correlated with CEO duality (0.2132). Finally, firms' size is moderate and negatively correlated with firms' age (.6422).

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Table 8 - The Pearson correlation between SDG performance and board of directors' characteristics

	SDGS_Perf	Sust_committee	BoD_size	BoD_inde	CEO duality	Firm size	Firm age	ROA	Sector
SDGS_Perf	1								
Sust_committee	0.1780*	1							
BoD_size	-0.0073	0.1401	1						
BoD_inde	0.1882*	0.2175*	-0.2727*	1					
CEO duality	-0.0261	-0.1518	0.0606	-0.2132*	1				
Firm size	-0.1698*	0.1077	-0.0281	0.1520	-0.0755	1			
Firm age	0.1658*	-0.0766	0.2325*	-0.0552	-0.0563	-0.6422*	1		
ROA	0.2598*	-0.0053	-0.0852	0.1033	0.0743	-0.0398	-0.0451	1	
Sector	0.3412	0.2165	0.0032	0.1423	0.1733	0.1012	0.1115	0.321	1

The result of the regression is shown in Table 9. The adjusted R2 of the model is 13.28 per cent, $\text{prob} > F = 0.000$, and *, **, *** represent significance at 0.10, 0.05 and 0.01 levels (two-tailed test), and VIFs (variance inflation factors) are lower than 1.63; therefore, multicollinearity does not affect the data. According to the heteroskedasticity-robust tests of Breusch-Pagan and Cook-Weisberg, data are not heteroskedastic, $p = 0.000$. The sustainability

committee positively and significantly affects 5 per cent of the SDG performance with a coefficient of 3.2228. This finding implies that if corporate governance decides to establish a committee responsible for sustainable issues, this could guarantee a better performance in terms of SDGs. The presence of independent members positively affects the SDG performance at 5 per cent with a coefficient of 0.0791. Thus, the independent members' experience and skills, external vision, networks of contacts, supervision and control, credibility and strategic advice could promote SDG performance. Finally, the operating profitability such as ROA positively affects the SDG performance at 1 percent with a coefficient of 0.3682. Therefore, profitable firms are more likely to contribute to achieving SDG performance.

Table 9 - SDG performance and Board of Directors' characteristics

SDGS_Perf	Coef.	SE	t	P>t
Sust_committee	3.422273	1.652513	2.04	0.043**
BoD_size	.0569835	.1507881	0.38	0.706
BoD_inde	.0791217	.0389719	2.03	0.044**
CEO duality	.0220709	1.8754	0.01	0.991
Firm size	-1.10922	.8271592	- 0.134	0.182
Firm age	1.363225	1.531211	0.89	0.375
ROA	.3682972	.1164045	3.16	0.002***
Sector	1.324817	1.003211	2.09	0.731
_cons	95.41729	21.06.131	4.53	0.000

5. Discussion

This paper aimed to extend the previous literature on the role of the members of corporate governance on sustainability performance (Cucari et al., 2018; Naciti, 2019) by investigating whether corporate governance characteristics have an impact on corporate sustainability performance measured in terms of the achievement of SDGs. This is even more important considering

the Italian Corporate Governance Code, which emphasises the role of governance bodies in setting up the system that guides and controls the decision-making process, as well as the company's sustainability success.

First, according to the descriptive statistics of the achievement of SDGs, findings show that SDG9, SDG8, SDG13 and SDG12 are the most broadly achieved goals. These results are consistent with Galeazzo et al. (2024) and Van Zanten and Van Tulder et al. (2018), whose argument is that companies are more likely to invest in SDG activities in which they possess more competencies and experiences.

Second, focusing on the regression model, findings show that the existence of sustainability committees and independent members in the BoD play a fundamental role in achieving successful sustainability performance. This result extends similar notions espoused by earlier research (Biswas et al., 2018; Hussein et al., 2018; Chams and Blandon, 2019; Naciti, 2019; Zaid et al., 2020; Martínez-Ferrero and García-Meca, 2020; Orazalin, 2020; Disli and Yilmaz, 2022; Radu et al., 2022). Therefore, the achievement of SDGs can be promoted by the set-up of an internal firm's committee responsible for sustainability. These committees are responsible for sustainability issues and, by performing consultative, proposing monitoring, and instructive duties in overseeing SDGs issues, are extremely relevant in supporting and guiding the board of directors and management. This result is in line with the stakeholder-agency theory's arguments, suggesting the institution of sub-committees with specific knowledge and backgrounds in line with the core area of the committee is pivotal in supporting the decision-making process of the BoD and implementing specific practices. However, it is essential to note that the Committee is appointed directly by the BoD, and the board of directors triggers the change toward an integrated sustainability approach. Those responsible for the decision-making processes have the power to drive strategic change in the companies' approach to sustainability. This approach requires sustainability to be integrated into the strategic planning processes.

This change can also be driven by the presence of independent directors within the BoD. This is in alignment with the theoretical argument developed by the stakeholder–agency theory, because independent directors can improve the impartiality and reliability of the boardroom, ensure the representation of a wide range of stakeholders' interests (instead of only shareholders' expectations) and provide an extensive view of firms' performance by fostering a higher awareness of social and environmental performance (Zahra and Stanton, 1998; Patelli and Prencipe, 2007; Post et al., 2011; Liao et al., 2015). Specifically, the presence of these members can stimulate the CEO, the

Chairman and the Executive to actively seek to improve their knowledge of sustainability and environmental, social and governance issues and to provide their experiences and competencies to clarify the long-term benefits of sustainability. Moreover, these members can stimulate the company to disclose its sustainable policies, progress and goals transparently, thereby building trust and transparency with stakeholders.

Therefore, without the endorsement and alignment of decision-makers on SDG issues (such as BoD components), it may be challenging to incorporate sustainability issues into corporate processes. These results imply that, for Italian-listed companies, the will of the BoD members plays a key role in promoting an organisational culture able to drive and guide behaviour based on the promotion of economic, environmental and social sustainability.

Also, an adequate level of ROA seems to be an important condition for achieving sustainability. In this sense, a firm's profitability would reveal that the members of the corporate governance itself can't do much without operational effectiveness, but with an adequate level of ROA, the achievement of sustainability performance will be more effective.

Moreover, the results show that board size and CEO duality do not significantly influence corporate sustainability performance (Michelon and Parbonetti, 2012; Liao et al., 2015; Amran et al., 2014; Hussein et al., 2018; Disli and Yilmaz, 2022). These findings suggest that structural attributes, such as the number of people on the BoD or the overlap of CEO and board chair roles, are not decisive factors in achieving sustainability performance. Instead, the achievement of sustainability performance may depend on the quality of human capital within the BoD—such as the members' knowledge, skills, and experiences—as well as on effective governance practices, including the separation of CEO and board chair roles to reduce conflicts of interest and promote a balanced system of control among stakeholder interests.

6. Conclusions

With the introduction of Directive 2022/2464, also known as the Corporate Sustainability Reporting Directive, the role of companies has notably expanded and become more pivotal in supporting and driving sustainability development. The CSRD mandates large companies, including small and medium-sized enterprises (SMEs), to adhere to more stringent sustainability reporting requirements. This implies that corporate governance members' duties toward stakeholders have increased, especially regarding their stewardship role regarding the disclosure of their business's impacts on people or

the environment (an impact perspective) and the material effects that the external environment could reasonably have on the business (a financial perspective). As a result, corporate governance members are considered some of the most important actors in meeting societal and environmental challenges, such as those posed by Agenda 2030. These themes raise questions about which corporate governance mechanisms would facilitate firms in achieving SDG performance.

This study has several relevant theoretical and practical implications, mainly for policymakers, entrepreneurs and managers interested in the role of governance mechanisms in improving sustainability success.

Regarding theoretical implications, our study supports the valid agency and stakeholder theories, suggesting that the attributes of the board of directors play a pivotal role in improving the sustainability performance of Italian listed companies. Particularly, according to our findings, the greater heterogeneity of the BoD, such as the presence of independent directors and the establishment of sustainability committees, seems to improve the SDG performance, suggesting that a strong internal mechanism of governance can be an effective tool for reducing agency problems and promoting socially responsible behaviour toward all stakeholders.

Concerning the practical implication, this study offers relevant information to entrepreneurs and managers on how to strengthen sustainable development through the adoption of some specific measures in corporate governance, such as expanding the composition of the BoD with an adequate number of independent directors and appointing a specific body tasked with addressing sustainability issues. Also, the findings provide indications to support policymakers in deciding how to improve sustainability performance through specific interventions and policies. Until now, specifically in Italy, adopting a sustainability committee was strongly recommended for listed firms; however, it has not yet been institutionalised as a specific legal requirement. Our results, consistent with other empirical studies, suggest that creating ad hoc corporate governance structures may enhance SDG performance; thus, seeing more effective interventions in this regard would be desirable. Moreover, in line with Directive 2022/2464, SMEs are expected to improve disclosure regarding the impact of their activities on the environment and society, shift towards sustainable finance to guide investments, plan sustainable activities and long-term projects, and work towards achieving climate neutrality in alignment with the European Green Deal. In this vein, the study's results can also provide relevant information for SMEs wanting to proactively moving towards an integrated sustainability orientation. Moreover, for SMEs, decision-makers can play a fundamental role in

promoting sustainability, especially considering that, generally, smaller firms are characterised by governance bodies in which the decision-making power is entirely centralised. Thus, the presence of an entrepreneur able to combine profit purposes with social values can develop and diffuse a new way of doing business in which sustainability is integrated into all the company's functions. Therefore, the change in the firm's sustainability approach must be guided by organisational members who act as colonisers of change by promoting a long-term strategic view (top-down approach).

Our research has several limitations that represent opportunities for future research. First, this study is based on a quantitative approach to investigate the influence of corporate governance characteristics on achieving SDGs. However, some qualitative attributes of corporate governance (such as the experiences, knowledge and competencies of the members of the corporate governance) that can affect the decisions regarding sustainability have not been examined. Therefore, future studies could employ a qualitative approach by interviewing governance members with the power to develop, implement and monitor sustainable strategies and initiatives to give more insight into what type of subjective attributes can drive SDG achievement. Second, the study's data are gathered by the ATOKA-CERVED database. Although it is one of the most innovative databases able to provide information about sustainability performance in terms of SDGs and corporate governance attributes, it does not allow the extraction of information over the years; therefore, evaluating how these characteristics have evolved over the years is impossible. Therefore, future research could expand our results by using other databases with longitudinal data. Finally, another limit concerns the number of variables used to measure Board attributes. The analysis focused on specific board attributes such as board size, the presence of independent members, CEO duality and sustainability committee. Therefore, further research could try to enrich the sample by using other measures of corporate governance characteristics to verify if aspects such as the presence of women on the board, the age of directors and the composition of the sustainability committee could affect sustainability performance.

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