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PROPOSAL FOR AN INDEX OF COMPLIANCE IN ESG INDICATORS

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Abstract

The environmental, social and governance agenda (ESG) appears with increasing force in the media, related to corporate transparency. Evaluating corporate performance on the environment, social aspects and governance represents an important advance in the levels of discussions involving companies and financial markets, in addition to the Sustainable Development Goals (SDG) established in the United Nations 2030 Agenda. The objective of this research is to propose an ESG information disclosure index that is a reference for measuring non- financial performance in Latin American companies. The index is composed by 9 sub-dimensions and 35 elements, which in turn are part of the Environmental, Social and Governance (ESG) dimensions. This research contributes to the international literature in the field of non- financial corporate information disclosure.

Keywords: Sustainability, ESG indicators, Agency Theory, Stakeholders Theory, Latin America.

1.0 INTRODUCTION

In recent decades, there has been a notable increase in the use and disclosure of non-financial information, initially on a voluntary basis, by companies (Haller, Link, & Groß, 2017; Rupley, Brown, & Marshall, 2017). This has sparked interest in the business world, where companies adhere to global initiatives and present corporate reports with extensive non-financial information. There is also academic interest in studying the relationships between non-financial information, financial performance, and value creation (Correa-García et al., 2016; Hąbek & Wolniak, 2016; Venturelli, Cosma, & Leopizzi, 2018).

As a result, there is a significant change in the way of corporate information is perceived, moving from a focus on traditional financial information to a more comprehensive perspective that includes non-financial data. This aspect is particularly relevant for stakeholders concerned about the social, environmental and governance impacts of their investments. Today, there is growing recognition of the role that non-financial information plays in stakeholder decision-making. Stakeholders are increasingly aware that financial reports do not provide a complete reference framework for investment decision-making or long-term business development. Therefore, the information required by stakeholders goes beyond traditional financial metrics, including aspects of ethical practices, governance and social contributions (Putan, 2024). Investors, customers and the community are pursuing for more complete information to decisions, which highlights the importance of companies communicating not only their financial performance, but also their long-term strategies, especially with regard to the sustainable use of resources (Mititean & Sărmaș, 2023; Putan, 2024).

According to Sapozhnikova (2023), non-financial corporare information allows companies to communicate their sustainable development efforts by integrating economic, environmental and social aspects. These elements are essential for stakeholders to assess corporate sustainability performance. According to Mititean and Sărmaș (2023), non-financial information transparency constitutes a mechanism for companies to communicate their sustainable development efforts by integrating economic, environmental and social aspects, which are crucial for stakeholders to assess corporate sustainability performance. Reports must be comparable, comprehensive, accurate and verifiable, as they are essential to ensure that the information provided is useful and reliable for stakeholders, aligned with the main principles of financial reporting. Furthermore, those that actively engage in social responsibility tend to improve their corporate reputation and increase the satisfaction of their stakeholders. Thus, non-financial reports emerge as key tools in the decision-making process of stakeholders, reflecting a growing trend towards sustainability in business practices (Sapozhnikova, 2023).

In this vein, there is a lack to of standarized guidelines for ESG metrics in the region (Avakov and Shinkevich, 2024), therefore, a growing number of organizations are seeking ESG accreditations to demonstrate their compatibility with sustainable growth and their commitment to the Sustainable Development Goals (SDGs) established by the United Nations (UN) Agenda 2030 by publishing sustainability performance reporting through the ESG criteria (Hoti et al., 2005). It is evident that companies have broadened their focus

beyond profit and the debate on "sustainable reporting" has focused on business value (Van der Waal et al., 2021; Van der Waal & Thijssens, 2020). It is therefore crucial that companies step up their efforts to incorporate sustainable development principles into their strategy, management approach and oversight geared towards socially responsible investment.

One of the main problems underlying the development of ESG indicators is the lack of clear, harmonized, and universally accepted guidelines for ESG ratings. This absence of standardized criteria hinders comparisons between countries and companies and increases the risk of whitewashing, whereby companies may present selective, incomplete, or misleading information about their environmental, social, and governance performance (Avakov & Shinkevich, 2024; Tenorio-Salgueiro et al., 2025; Costa et al., 2025) . This challenge is particularly pronounced in Latin America, where regulatory frameworks related to sustainability reporting remain heterogeneous across countries, the adoption of international standards is uneven, and institutional pressures for ESG transparency vary significantly. As a result, investors and stakeholders often face difficulties in assessing the true extent of corporate sustainability practices in the region (Moscoso Serrano et al., 2023; Spataru, 2024; Reyes-Bastidas et al., 2025).

In this context, the development of structured and context-sensitive ESG disclosure tools becomes especially relevant. For Latin American markets, characterized by information asymmetries, varying levels of regulatory maturity, and shortcomings in regulatory enforcement, the availability of a clear and comparable disclosure index can help reduce uncertainty, strengthen the credibility of reports, and improve accountability. The proposed index contributes to improving the quality, consistency, and comparability of sustainability information disclosed by publicly traded companies in the region, thereby supporting more informed decision-making and fostering alignment with international best practices.

Together, the taxonomies and regulations adopted internationally in the field of ESG indicators have evolved in recent years. Recently, the European Union developed the environmental, social and governance taxonomy in 2020 and 2021, which aim to provide a solid and scientific classification system to help organizations and investors move towards a more sustainable economic model, offering protection against greenwashing. The main advantage of taxonomy is to have a legal framework to improve business activity and make it more sustainable, allowing for highly relevant changes. Among other regulations are the Task Force on Corporate Governance (TFC) and the Environmental, Social and Governance (ESG) taxonomy. Force on Climate-related Financial Disclosures (TCFD), which has a global approach and focuses on the disclosure of risks and opportunities. The Sustainable Finance Disclosure Regulation (SFDR) focuses on the disclosure of reports on the apprehension of sustainability in companies' financial operations and products (Aplanet, 2023).

Socially Responsible Investment (SRI) refers to investing in companies that demonstrate ethical behavior towards all stakeholders, including shareholders, society, employees, customers, government, and the environment. SRI positively evaluates ESG parameters as a measure of a company's level of corporate sustainability. In conjunction, Deloitte (2021) argues that ESG criteria are extensive and it is important to delimit each organization's capacity for action in these dimensions, therefore investors can easily identify intangible results. An organized and clear ESG index may support to management to make efficient decisions within the company and for investors to recognize and reward companies' long-term sustainable efforts.

In this context, the present research aims to propose an ESG information disclosure index to measure the level of non-financial performance for companies in Latin American countries. Although there are various methodologies and reference frameworks that propose a series of ESG metrics at an international level, a standardized methodology that considers the context and characteristics of Latin American companies has not before proposed. In Latin America, the ESG metrics have taken relevance despite the difficulties faced by the region. For instance, the main challenges in the region are focused on leadership; diversity, inclusion and equity; sustainable standards and reporting, as well as strategies for action in both the public and private sectors. The new sustainability standards issued by relevant entities, such as the European Financial Reporting Advisory Group (EFRAG) [CSRD and ESRS], the International Sustainability Standards Board [ISSB] (IFRS S1 and S2) and the Security Exchange Comission [SEC], also addressing the challenges associated with their implementation to meet the demand of stakeholders for transparent, comparable and consistent information (PWH, 2024). Therefore, this research contributes from theoretical and practical dimensions by proposing a matrix of ESG disclosure indicators, through an exhaustive and comparative review of the international literature in the field of ESG, in a context characterized by less stringent regulations or few or no incentives related to ESG reporting compared to other regions such as Europe or North America, leading to prioritizing other business concerns.

The paper is structured as follows: Section 2 contains the development of the contextual and theoretical framework. Section 3 develops the research methodology and describes the main taxonomies at international level. Section 4 proposes the ESG disclosure index. Section 5 presents the conclusions and future research.

■2.0 LITERATURE REVIEW

2.1 Sustainable Development Goals (SDG)

In 2015, the United Nations (UN) established the Sustainable Development Goals (SDGs), a compilation of 17 sustainable objectives, 169 targets and 231 indicators, aimed at achieving global sustainability by 2030 (United Nations, 2018). The SDGs have been described as the most comprehensive framework for addressing major global societal challenges (Kolk et al., 2017; Sachs et al., 2019; Wettstein et al., 2019), including environmental (natural resource depletion, biodiversity loss and climate change), social (world hunger, growing inequalities, systemic racism, human health deficiencies and educational deficits) and governance (gender gaps, corruption and war).

Although the SDGs are a set as macro-level goals for countries and governments, companies are considered central actors in achieving them (Montiel et al., 2021; UN, 2015; van Zanten & van Tulder, 2021).

The growing interest in the SDGs has been accompanied by the important role of companies in achieving sustainability, and in recent years a multitude of concepts and frameworks focused on this topic have emerged (Antolín-López et al., 2016). One such concept is "corporate sustainability" (Bansal, 2005), which reflects the idea of ensuring sustainability in business practices. As financial markets have begun to recognize the importance of seeking sustainability outcomes in business, the concept of materiality has gained traction in relation to ESG factors (MacNeil and Esser, 2022). "Materiality" is traditionally used in finance to refer to factors that may have consequences for financial performance (Jebe, 2019).

Companies must provide information on these factors to investors, as they are key to corporate decisions. Since it was recognized that ESG factors can affect financial performance, they have gained greater relevance, which has stimulated the proliferation of ESG data and metrics providers (van Zanten and Huij, 2024). In addition, stakeholders, such as non-governmental organizations (NGOs), among others, have warned that a limited notion of materiality focused solely on financial aspects is worrying, and that such a vision must be complemented with information on social and environmental impacts to ensure the achievement of global sustainability.

2.2 Sustainability

The role of business in society was initially recognized in the 1950s with the introduction of "Corporate Responsibility". The concept focused on the responsibility of business for its actions in society and its immediate environment (Carroll, 1979). The perspective of business not only focusing on the interests of shareholders but also those of other stakeholders began to gain traction (Freeman, 1984). In the 1980s, stakeholders began to pay increasing attention to the adverse effects of business operations on the environment, particularly pollution, depletion of natural resources and loss of biodiversity, creating a conversation about corporate sustainability that grew in parallel with the discussion about corporate social responsibility (Bansal and Song, 2017; Montiel, 2008).

In 1987, the World Commission on Environment and Development (1987), in the Brundtland Report, introduced the term "sustainable development" as development that does not endanger the survival of future generations. This boosted the attention paid to this topic among academics, practitioners, governments and society at large. Since then, academics and practitioners have developed various definitions to incorporate sustainable development in the business context and business operations.

Initially, most definitions of sustainability focused on the effect of business operations on the natural environment in relation to environmental management, environmental strategies, and ecological sustainability (Klassen & McLaughlin, 1996; Russo, 2003; Shrivastava & Hart, 1995). Subsequently, scholars expanded their definitions of sustainability to include the effects of business operations on economic, social, and environmental systems (Bansal, 2005; Hart & Dowell, 2011; Schaltegger et al., 2013; Mistry, Sharma, & Low, 2014). In this regard, Valente (2012) noted that businesses needed to find ways to connect social, economic, and ecological systems using coordinated approaches that leverage the collective cognitive and operational capabilities of multiple social, ecological communities, and local and global entities. However, despite these developments, there is no universal definition of corporate sustainability, a fact that reflects the complexity and ambiguity of the concept (Meuer et al., 2020; Montiel and Delgado-Ceballos, 2014).

Overall, scholars seem to agree that sustainability is a three-dimensional construct based on economic integrity, social equity, and environmental integrity (Bansal, 2005), which is also referred to as the 3Ps approach to business (profit, people, and planet) or the "triple bottom line" (Elkington, 1997; Hart and Milstein, 2003). In essence, sustainability is seen as an end goal for businesses, as many wish to claim that their operations do not negatively impact society or the natural environment. However, recent discussions suggest that businesses have the potential to positively impact socio-ecological systems by engaging in regeneration, which shifts the focus from business logic to a systems logic (Hahn and Tampe, 2021).

2.3 Reference Theories

Agency theory: From the perspective of agency theory, the relationship between shareholders (principals) and managers (agents) is characterized by information asymmetries, moral hazard, and potential adverse selection problems. In the context of ESG performance, these issues may introduce new information asymmetries between principals (shareholders, investors, regulators or stakeholders) and agents (managers, executives, suppliers), and therefore, can reduce market efficiency (Christensen, Hail, and Leuz, 2021). First, managers may adopt ESG initiatives to obtain private reputational or legitimacy benefits, allocating corporate resources to activities that enhance their personal image but do not necessarily maximize shareholder value (Brown et al., 2006; Barnea & Rubin, 2010; Borghesi et al., 2014). In this case, ESG expenditure can be interpreted as inefficient over-investment driven by agent moral hazard. Second, the allocation of resources to ESG-related projects may imply foregoing alternative investments with higher expected financial returns, thus generating opportunity costs for shareholders (Allouche & Laroche, 2005; Schuler & Cording, 2006). Finally, prior literature also suggests that some firms may use ESG disclosure as a form of "window dressing" or greenwashing when attempting to compensate for poor financial, environmental, or social performance through selective or incomplete communication (Khan, 2019; KPMG, 2023). In this regard, improving transparency and reporting with standardized ESG metrics are crucial to reducing information asymmetries and mitigating the agency problems associated with these practices. In the same vein, strengthen corporate governance mechanisms, such as the board composition and the promotion of diversity and inclusion strategies are essential to reduce ESG related moral hazard and adverse selection (Eccles and Stroehle, 2018).

Stakeholder theory: Stakeholder theory posits that a firm's success depends on its ability to balance the interests of all groups who may be affected by, or who may influence, corporate decisions (Freeman, 1984, 1994). These groups include shareholders,

employees, customers, suppliers, local communities, regulators, and the natural environment. Unlike agency theory—which emphasizes the conflict of interest between shareholders and managers—stakeholder theory focuses on joint value creation and the development of long-term trust-based relationships. Under this approach, ESG activities and disclosure are viewed as relational investments that can improve stakeholder satisfaction and engagement, strengthen corporate reputation, and ultimately enhance financial performance and long-term sustainability (Jo & Harjoto, 2012; El Ghoul et al., 2017; Lee & Isa, 2020). Thus, disclosure on ESG metrics becomes a tool for building trust, reducing uncertainty, and signaling alignment with societal values. Transparency on ESG motivates to close the gap between what companies know about their environmental and social impacts and what stakeholders know. In this vein, increase the confidence of stakeholders in the long-term sustainability planning, risk management, social and environmental performance and commitments to ethical governance.

2.4 ESG and its Dimensions

ESG criteria refer to a set of corporate standards related to environmental, social and governance behavior, with the aim of fostering sustainability, transparency and accountability at all levels of the organization. Today, ESG indicators play an important role in the evolution of the world's economies. The ESG indicator framework is gaining ground in North America, East Asia, and, mainly, in Europe. Both governments and companies are beginning to incorporate these considerations into the decision-making and risk management process for lenders, investors and financial institutions (RSM International, 2023).

In Europe, the European Directive of 2014 was issued through Law 11/2018 and introduced the obligation to prepare a non-financial or sustainability information statement for companies of a certain size (large companies of public interest or with more than 500 employees, and from 2021 to companies with more than 250 employees and/or 40 million euros in turnover and/or 20 million euros in total assets). The new directive on this matter (EU Directive 2022/2464 of the European Parliament and of the Council of 14 December 2022) has extended this obligation to SMEs listed on the stock exchange (Capital, 2023).

One region that has failed to keep pace with other continents is Latin America. Like much of the developing world, Latin America was devastated by the COVID-19 pandemic as its economic engines ground to a halt and civil unrest threatened social infrastructure. With ESG indicators a major factor in attracting international investment, the need for Latin American companies to incorporate ESG principles is even more pressing.

Together, as part of the analysis process to assess a company's risks and growth opportunities, investors apply ESG factors. However, such factors are interconnected and their classification can be challenging (CFA Institute, 2022). Institutions such as the Global Reporting Initiative (GRI) have developed standards for sustainability reporting with the purpose of measuring the organization's impact on the economy, environment, and society. Thus, ESG standards are made up of three dimensions: 1) environment with variables such as climate change and carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management, and water scarcity; 2) society with variables such as customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights, and labor standards; and 3) governance with variables such as board composition, audit committee structure, bribery and corruption, executive compensation, lobbying, political contribution, and a company's whistleblowing schemes (CFA Institute , 2022).

ESG scores are used to objectively measure a company’s performance with respect to socially responsible practices. They are also used to assess risks and opportunities and enable comparisons between companies across sectors (Balatbat et al., 2012).

2.5 ESG Taxonomies

Taxonomies are a business resource that facilitates and requires the communication of their actions in accordance with sustainability objectives. Alignment with the taxonomy can reduce financial costs, favor inclusion in sustainable investment portfolios and attract investments, generating trust and avoiding greenwashing[1]. Although the main taxonomy is the European one, there are about 35 global taxonomies, some still in progress. Apart from the EU one, those in use are those of China, Mexico, Colombia, Russia, South Korea and the Association of Southeast Asian Nations ASEAN (Domínguez, 2024). In Latin America, Brazil, Chile, Colombia and Mexico have sought to strengthen the regulatory framework to promote the application of ESG factors, with Colombia and Mexico being the first to incorporate a taxonomy voluntarily.

Since 2018, the European Commission has been working on the development of a European green taxonomy, also known as Regulation EU 2020/852, which sets out the criteria for companies to disclose their environmental, social and governance responsibility actions (Lefebvre, 2023). According to Viñes Fiestas (2023), at the product level, the Sustainable Finance Disclosure Regulation (SFDR) improves the comparability of financial products in terms of sustainability and increases transparency in environmental, social and governance (ESG) disclosures. It aims to provide investors with the necessary information to assess the sustainability characteristics and risks of the funds in which they invest; it also seeks to avoid divergences in national disclosures and promote a level playing field for ESG products. In conjunction, in July 2021, the first draft of a social taxonomy was introduced, and the report was published in February 2022. This report will promote sustainable investment in Europe, focusing on safeguarding human rights and social impact on companies' main stakeholders: employees, customers and communities (BBVA, 2023).

[1] Greenwashing. Misleading or unsubstantiated claims about sustainability performance made by a company or investment fund regarding its products or activities (KPMG, 2023).

Table 1 presents the main differences between green and social taxonomy. The green taxonomy focuses on classifying economic activities that contribute to environmental sustainability, while the social taxonomy addresses aspects of equity, inclusion and social well-being. The two taxonomies allow for the establishment of a coherent framework for sustainability and social well-being.

Table 1. Differences between green and social taxonomy.

Aspects	Green taxonomy	Social taxonomy
Science/Standards	Scientific criteria for reducing CO2 emissions	Criteria based on human rights standards and principles
Activity / entity	Rates investments in economic activities that favor the reduction of CO2 emissions	Rates business processes, as well as investments to develop products and services that improve society
Inherent/Additional Benefits	Safeguarding the inherent social benefits of economic activities such as: creating employment or social protection	Creating value with additional social benefits.
Quantitative / qualitative data	Validates quantitative data on CO2 emission reduction	You need to identify and validate qualitative information about companies.

Source: BBVA (2023) with data from "final report" on social taxonomy. Platform on sustainable finance". February 2022

Currently, several taxonomies are being implemented and developed in Latin America and the Caribbean. Although promising, there is a risk that the lack of harmonization and functionality among them could create obstacles to trade and financial flows between countries (Ramírez, 2024). In this regard, the Working Group on Sustainable Finance Taxonomies for Latin America and the Caribbean made up of the United Nations Environment Programme (UNEP) and its Finance Initiative (UNEP FI), the United Nations Development Programme (UNDP), the International Finance Corporation (IFC), the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), the Andean Development Corporation (CAF), the Economic Commission for Latin America (ECLAC), and the European Commission as external advisor, have played a leading role in the technical development of the Common Framework of Sustainable Finance Taxonomies for the region (Ramírez, 2024).

Colombia's taxonomy, approved in 2022, is a tool that has been created to face the great environmental and social challenges by channeling resources towards green investments and expenses, promoting the country's competitiveness oriented towards resilient development (Superintendencia Financiera de Colombia (SFC), 2024).

In Mexico, the sustainable taxonomy was presented by the Ministry of Finance and Public Credit (SHCP) in March 2023. This classification system was developed over a participatory and coordinated process that lasted more than three years, with the collaboration of more than 200 experts from various fields, such as public, private, financial, academic and civil society. The reference framework of this Taxonomy includes 124 activities distributed among 6 economic sectors. To align these activities with the Taxonomy, the following requirements must be met Ramírez (2024):

a) Eligible activities must be included in the Taxonomy.
b) These activities must be classified according to various metrics and thresholds.
c) They must meet the Non-Significant Damage (NSD) criteria.
d) They must comply with minimum safeguards.

Mexico's Sustainable Taxonomy stands out worldwide as the first to incorporate social objectives in its design, including gender equality, access to basic services, health, education and financial inclusion as fundamental pillars to ensure a fair and sustainable transition (Ramírez, 2024).

2.6 ESG Indicators

ESG indicators have become a standard for assessing companies' sustainability performance, which is essential for investors and regulators seeking to promote more responsible practices. In this context, various frameworks have been developed and adopted globally that define and standardize these indicators, facilitating their implementation and comparison between companies. The main ESG frameworks used worldwide are described below:

MSCI ACWI ESG: Sustainability Indexes series, which consists of broad, diversified equity indices comprised of companies with high ESG ratings relative to their sector peers and are designed for investors seeking a benchmark comprised of best-in-class ESG companies. It consists of large and mid-cap companies across 23 developed market (DM) countries and 23 emerging market (EM) countries. The methodology aims to include securities of companies with the highest ESG ratings representing 50% of market capitalization in each MSCI ACWI sector and region (Bloomberg MSCI ESG, 2021).

Sustainalytics Company ESG*:* Sustainalytics Company ESG reports provide a structured approach to company analysis and include key quantitative and qualitative ESG insights relevant to each industry. The reports provide the company's rank and relative position in the industry; performance scores across E, S, and G dimensions; historical ESG performance scores, and controversial ESG-related events or incidents with a material impact on the company (Sustainalitycs, 2023).

FTSE ESG: FTSE ESG Ratings are based on a transparent and consistent methodology that measures risk and performance across a range of ESG areas. A risk-relative scoring method is used, where a company's exposure to each issue influences the applicability and weighting of the indicator rather than adopting a generic or sector-specific approach.

The scoring assessment indicators cover (i) qualitative indicators that assess management quality and approach, (ii) quantitative indicators that measure corporate data disclosure, (iii) sector-specific indicators tailored for different industry sectors, and (iv) performance indicators that use the quantitative data to make performance judgements. All thematic exposures are determined using a rules-based methodology that is derived from publicly available information and data sources. For the Exposure, each company is rated as High, Medium, Low or Not Applicable for each of the areas (FTSE Russell, 2023).

Thomson Reuters*:* Thomson Reuters ESG Scores measure a company's relative ESG performance across ten topics (including but not limited to emissions, environmental product innovation, human rights, shareholders) based on company-reported data. An overall score is also provided that is discounted for ESG controversies that materially affect corporations. Scores are available on over 6,000 companies worldwide. They are compared to TRBC Industry Group for all environmental and social categories, and with the country for all governance categories (Thomson Reuters, 2023).

S&P/ Egyptian Exchange (EGX)**: The** S&P/ Egyptian Exchange (EGX) ESG Index provides investors with exposure to 30 of the best performing stocks in the Egyptian market as measured by environmental, social and governance (ESG) parameters. The index measures ESG practices based on quantitative factors, using a methodology standardized by S&P Indices. The selection process incorporates two screens: one focuses on environmental and social indicators and the other focuses on corporate governance indicators. The social and environmental screens are based on the results obtained from the mapping of the Global Reporting Initiative (GRI), Global Compact (GC) and Millennium Development Goals (MDG). Goal (MDG). The corporate governance screen is an adaptation of the existing S&P Dow Jones Indices corporate governance methodology (The Egyptian Exchange, 2023).

S&P 500 ESG: The S&P 500 ESG Index is part of the S&P ESG Index family and is designed to measure the performance of the companies comprising the S&P 500®, with a weighting scheme that represents each company's ESG factor score, as assessed by RobecoSAM. All components of the underlying index are included, with the most sustainable companies being overweighted and the least sustainable companies being underweighted. The index components' weights are determined in part by a company's ESG factor score. ESG factor scores are derived from RobecoSAM 's annual Corporate Sustainability Assessment (CSA)

To obtain the required ESG factor scores for the S&P ESG Index Series, a company's metric is subject to the following: 1. ESG factor scores are tilted towards financial materiality, and 2. ESG factor scores are neutralized with respect to factors such as GICS. industries, sub-industries and countries; traditional quantitative equity factors such as momentum, value and size are also neutralized. As a result of the annual corporate assessment, RobecoSAM generates a fully neutralized ESG factor score for each underlying index constituent. These ESG factor scores are then used as inputs for the S&P ESG Index Series (S&P Dow Jones Indices, 2022).

GRI**:** It was founded in 1997 by the Coalition for Environment and Sustainable Development (CMA), a non-governmental organization based in Boston, United States. The first version of the GRI reporting framework was published in 2000, initially focusing on environmental reporting by companies. Over the past 20 years, the GRI has evolved its reporting framework to encompass various social and economic aspects of sustainability. Today, it has established itself as the global standard for corporate sustainability reporting (GRI, 2024).

The first version of the guidelines was launched in 2000. The second generation of guidelines, known as G2, was launched in 2002 at the World Summit on Sustainable Development in Johannesburg. In 2002, GRI was formally launched as a UNEP partner organization in the presence of the then UN Secretary-General, Kofi Annan, and moved to Amsterdam as an independent non-profit organization. The uptake of the GRI guidance was boosted by the launch of the third generation of Guidelines, G3 2006. Over 3,000 experts from business, civil society and the labour movement were involved in the development of G3. G3 and G3.1 were subsequently launched with expanded guidance on reporting gender, community and human rights-related performance (GRI, 2024).

In May 2013, GRI published the fourth generation of its Guidelines - G4. The G4 version is more user-friendly than the previous ones and places greater emphasis on organizations focusing on those issues that are material to their business and key stakeholders. Like the other GRI Guides, the G4 version refers to a number of widely accepted and used documents on specific aspects of reporting (GRI, 2024). This Guide is designed as a consolidated environment for appropriate reporting under a variety of sustainability codes and standards. A significant and welcome development is the integration of strategic sustainability data with other important economic data. The Guide consists of two parts: Reporting Principles and Core Content and the Application Manual.

The first part describes the reporting principles and basic content, as well as the criteria that organizations must apply to draft sustainability reports "in compliance" with the Guide. A number of key terms are also defined, and the second part, in the application manual, explains how to apply the reporting principles, prepare information for presentation and interpret the concepts mentioned in the Guide (GRI, 2024).

GRI provides detailed standards for sustainability reporting, tailored to a variety of organizations. These standards are divided into: Universal Standards: Applicable to any organization, they set the basis for the use and implementation of specific standards. Sectoral Standards: Designed to improve the quality and consistency of reporting within specific sectors. They offer comprehensive guidance developed for 40 sectors, addressing topics and indicators relevant to each sector. Thematic Standards: Provide detailed information on

topics of interest to stakeholders, based on a materiality analysis conducted by the organization to identify the priorities of its stakeholders (GRC Tools, 2024).

3.0 METHODOLOGY

This study adopts a qualitative and exploratory design, using document review and content analysis. The main methodological objective is to propose an ESG disclosure index that enables the assessment of non-financial performance in Latin American companies. The analysis draws upon academic literature, technical reports, and international sustainability reporting frameworks (Friede, Busch, & Bassen, 2015; Khan, Serafeim, & Yoon, 2016).

3.1 Identification of ESG Frameworks and Indicators

In the first stage, a comprehensive review of academic studies, technical guidelines, and documents issued by international organizations was conducted to identify the main ESG frameworks and indices used globally. Six sources were selected: MSCI ACWI ESG, Sustainalytics Company ESG, FTSE ESG, Thomson Reuters ESG, S&P/EGX ESG, S&P 500 ESG, and the Global Reporting Initiative (GRI) standards. For each framework, information regarding dimensions, subdimensions, and specific indicators was collected and systematized.

3.2 Construction and Refinement of the Indicator Matrix

In the second stage, a consolidated content matrix was developed to integrate all indicators identified in the six ESG frameworks, classifying them into the three ESG dimensions (environmental, social, and governance). A refinement process was then carried out to eliminate redundancies and group conceptually equivalent indicators. To summarize and prioritize the information, a "traffic light" method was applied based on the frequency with which each criterion appeared across the frameworks: green for indicators with four or more occurrences, yellow for three occurrences, and red for two or fewer occurrences. This method allowed the prioritization of the most recurrent ESG criteria found in the literature and reference frameworks (Hawn, Chatterji, & Mitchell, 2018; Clark et al., 2015; Meza-Salcedo et al., 2020; Gaede & Rowlands, 2018).

Based on the content analysis, an ESG indicator matrix was developed that includes the most relevant and used metrics in the six sources analyzed. This matrix was structured to allow a comprehensive and comparative evaluation of companies' non-financial disclosures (Hawn, Chatterji, & Mitchell, 2018; Clark et al., 2015; Meza-Salcedo et al., 2020):

Green: repetitions equal to or greater than 4 (=>)
Yellow: repetitions equal to 3 (=)
Red: repetitions equal to or less than 2 (=<)

3.3 Proposed ESG Disclosure Index

Based on the refined matrix, nine subdimensions were defined (three environmental, four social, and two governance-related), comprising a total of 35 ESG disclosure items. Each item is formulated as a closed-ended question that can be coded dichotomously (1 if the firm discloses the corresponding information; 0 otherwise), following prior research on disclosure index construction (Reyes-Bastidas & Briano-Turrent, 2018; Reyes-Bastidas et al., 2020). The overall index is computed as an unweighted indicator ranging from 0% to 100%, where higher values represent higher levels of ESG disclosure. Table 2 summarizes the distribution of items by dimension and subdimension, while Table 3 presents each disclosure criterion along with its guiding question and main reference sources.

3.4 Content Validity and Expert Review

To ensure the content validity of the proposed index, the 35-item matrix was evaluated by a panel of three experts with experience in corporate governance, sustainable finance, and ESG reporting. Each expert assessed the clarity, relevance, and representativeness of the items using a four-point Likert scale (1 = not relevant, 2 = somewhat relevant, 3 = quite relevant, 4 = highly relevant). Based on their feedback, minor wording adjustments were incorporated and potential conceptual overlaps among items were examined and corrected.

Given the exploratory nature of this study, internal reliability coefficients (e.g., Cronbach's alpha) were not estimated at this stage; as such metrics require the empirical application of the index to a sample of firms. In the second phase of this research, the proposed index will be applied to publicly listed companies in Latin America, which will allow for the evaluation of internal consistency, factor structure, and additional psychometric properties. This sequential approach ensures that the index is first conceptually validated before undergoing quantitative validation in an empirical setting.

4.0 RESULTS

Based on the analysis of previous literature, this paper proposes an ESG disclosure index. For this proposal, information collected from the literature regarding indicators that incorporate ESG criteria in their structure was considered, under the context in which this research is

carried out, that is, those data matrices that have been previously used for the evaluation of ESG performance in the business sector (Sica et al., 2023; Campillo Cortés & Briano Turrent, 2022).

The proposed ESG disclosure index is made up of a total of 35 items and 9 subdimensions, incorporated into the three ESG dimensions (Environmental, Social and Governance); and which, according to the previously reviewed literature, provide objectivity and timeliness in the evaluation of ESG performance. This information is shown in Table 2.

Table 2 Summary of the ESG indicator proposal

Dimension	**Underdimension**	**Variables**
Environmental	3	9
Social	4	18
Governance	2	8
TOTAL	**9**	**35**

Source: Own elaboration

The methodology, as well as the valuation for each variable proposed in the ESG matrix, will allow for an evaluation of non-financial performance. According to Reyes-Bastidas et al. (2020), the variables that compose the dimensions of sustainability can be valued as dichotomous variables, taking the value of 1 if the company discloses that criterion, and 0 otherwise. The global index is unweighted and can take a value from 0% to 100%, which implies that those companies with a higher ratio achieve a higher disclosure index in the field of ESG (Reyes & Briano, 2018). Table 3 describes the ESG disclosure indicator matrix.

Table 3 Proposed ESG disclosure criteria

ENVIRONMENTAL		
Climate Change	**Guiding questions**	**Reference**
Carbon emissions and other waste	Does the company disclose the amount of carbon emissions it generates?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022). GRI. (2024).
Energy efficiency	Does the company disclose the strategies used to achieve energy efficiency?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). GRI. (2024)
Environmental management system	Does the company disclose its environmental management system policy?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). S&P Dow Jones Indices. (2022).
Natural Resources		
Water stress	Does the company disclose the amount of water it extracts and the water source?	Bloomberg MSCI ESG. (2021). Thomson Reuters. (2023). Dow Jones Indices. (2022).
Biodiversity	Does the company disclose the strategies implemented to conserve biodiversity?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). Thomson Reuters (2023) The Egyptian Exchange. (2023). S&P Dow Jones Indices. (2022).
Recycled material	Does the company disclose the amount of recycled material it uses?	Bloomberg MSCI ESG. (2021). The Egyptian Exchange. (2023). S&P Dow Jones Indices. (2022).
Environmental opportunities		
Clean technology	Does the company disclose whether it has implemented clean (green) technology?	Bloomberg MSCI ESG. (2021). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022).
Environmental fines and sanctions	Does the company disclose whether it has received environmental fines and/or sanctions?	Sustainalitycs. (2023). GRI. (2024)

Environmental assessment of suppliers	Does the company disclose the performance of environmental assessments of suppliers?	GRI. (2024)
SOCIAL		
Human Capital		
Decent employment	Does the company disclose its labour management strategies to ensure decent employment?	Bloomberg MSCI ESG. (2021). Thomson Reuters (2023) S&P Dow Jones Indices. (2022).
Occupational Health and Safety	Does the company disclose whether it has an Occupational Health and Safety System?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). GRI. (2024)
Human Capital Development	Does the company disclose its strategies for training, qualification or education days for its employees to promote the development of human capital?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). GRI. (2024)
Diversity and Equal Opportunities	Does the company disclose its strategies to promote diversity and equal employment opportunities?	The Egyptian Exchange. (2023). GRI. (2024)
Worker-company relationship	Does the company disclose whether it establishes communication channels between the employee and the company?	GRI. (2024)
Fair remuneration and compensation policies	Does the company disclose its remuneration or compensation policies for its employees?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). The Egyptian Exchange. (2023). Thomson Reuters (2023). GRI. (2024)
Product liability		
Product/service quality and safety	Does the company disclose its product/service quality policies to ensure the safety and health of its customers?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022). GRI. (2024)
Labeling of products and services	Does the company disclose its procedures and regulations for labeling products and services?	GRI. (2024)
Marketing Communications	Does the company disclose its marketing strategies?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). S&P Dow Jones Indices. (2022). GRI. (2024)
Customer Privacy	Does the company disclose its strategies for protecting personal data to ensure the privacy of its customers?	Bloomberg MSCI ESG. (2021). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022). GRI. (2024)
Impact on society		
impact on local communities	Does the company disclose the impact it generates on local communities?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). Thomson Reuters. (2023) The Egyptian Exchange. (2023). S&P Dow Jones Indices. (2022). GRI. (2024)
Supply chain assessment and management	Does the company disclose its supply chain assessment and management system?	GRI. (2024)
Public Policy	Does the company disclose its participation in the development of public policies in its community?	GRI. (2024)

Regulatory Compliance	Does the company disclose whether it has any lawsuits, sanctions or fines in the regulatory field (not including environmental sanctions)?	GRI. (2024)
Human rights		
Freedom of association and collective bargaining	Does the company disclose information on freedom of association and collective bargaining?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023). GRI. (2024)
Child labor	Does the company disclose policies and strategies aligned with the Global Compact, which strictly prohibits child labor?	GRI. (2024)
Forced labor	Does the company disclose policies and strategies aligned with the Global Compact, which strictly prohibits forced labor?	GRI. (2024)
Diversity/discrimination policy	Does the company disclose its diversity/discrimination policy?	Sustainalitycs. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023). GRI. (2024)
GOVERNANCE		
Corporate Governance		
Percentage of independent directors on the Board of Directors	Does the company disclose the participation of independent directors on the board of directors?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). Thomson Reuters. (2023) The Egyptian Exchange. (2023). S&P Dow Jones Indices. (2022).
Percentage of women on the Board of Directors	Does the company disclose the number of women on the board of directors?	FTSE Russell. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022).
Disclosure of the concentration of ownership	Does the company disclose ownership concentration?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). S&P Dow Jones Indices. (2022).
Share concentration percentage	Does the company disclose the ownership percentage of the controlling company?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). S&P Dow Jones Indices. (2022).
Corporate Behaviour		
Business Ethics	Does the company disclose whether it has a code of business ethics?	Bloomberg MSCI ESG. (2021). Sustainalitycs. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023).
Unfair competition practices	Does the company disclose information about its antitrust and anticompetitive practices?	Bloomberg MSCI ESG. (2021). Thomson Reuters. (2023). GRI. (2024)
Responsible investment	Does the company disclose information on whether it issues/invests in sustainable mutual funds/bonds?	Bloomberg MSCI ESG. (2021). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022).
Anti-corruption practices	Does the company disclose information on mechanisms to identify and prevent bribery, fraud and corrupt practices?	Bloomberg MSCI ESG. (2021). FTSE Russell. (2023). The Egyptian Exchange. (2023). Thomson Reuters. (2023). S&P Dow Jones Indices. (2022). GRI. (2024)

Source: Own elaboration based on a review of previous literature.

Note: The variables included in the matrix are adapted from the main ESG indices and indicator frameworks described in section 2.6 (Bloomberg MSCI ESG, 2021; Sustainalytics, 2023; FTSE Russell, 2023; Thomson Reuters, 2023; The Egyptian Exchange, 2023; S&P Dow Jones Indices, 2023; GRI, 2024).

■5.0 DISCUSSION

The ESG disclosure index proposed in this study contributes to strengthening the assessment of non-financial performance in Latin American companies; a region characterized by heterogeneous regulatory environments and limited standardization of sustainability reporting (Acevedo & Piñeros, 2019; Correa-García et al., 2020; Moscoso Serrano et al., 2023). The findings reveal that leading global frameworks, including MSCI, Sustainalytics, FTSE, Thomson Reuters, S&P and GRI, converge on core sustainability criteria, supporting the development of an integrated and comparable index tailored to the regional context (Friede et al., 2015; Clark, Feiner & Viehs, 2015; Khan, Serafeim & Yoon, 2016). This convergence is especially relevant as stakeholders increasingly demand transparent, comparable and decision-useful ESG information (Haller et al., 2017; Rupley et al., 2017; Putan, 2024).

The proposed matrix of 35 indicators across nine subdimensions reflects a balanced representation of the ESG pillars, with greater emphasis on the social dimension. This aligns with studies highlighting the central role of human capital, labor rights and community engagement in building organizational legitimacy and long-term sustainability performance (Bansal, 2005; Bansal & Song, 2017; Fernández et al., 2019). In the environmental dimension, the persistent gaps in climate-related, biodiversity-related and resource-management disclosures underscore the structural weaknesses documented in the region regarding environmental risk measurement and sustainability practices (Hoti, McAleer & Pauwels, 2005; Dubois & Dubois, 2012; RSM International, 2023). Regarding governance, the focus on board structure, ethical conduct and anti-corruption mechanisms is consistent with evidence showing that effective governance systems enhance trust, reduce managerial opportunism and improve disclosure quality, especially in emerging markets (Aras & Crowther, 2008; Castro & Brown, 2007; Correa-García et al., 2020).

The theoretical interpretation of the index is supported by both agency theory and stakeholder theory. From an agency perspective, ESG disclosure can reduce information asymmetry and limit opportunistic managerial behavior, functioning as a governance mechanism that aligns managerial decisions with shareholder interests (Brown et al., 2006; Barnea & Rubin, 2010; Borghesi et al., 2014). From a stakeholder perspective, the index provides organizations with a structured mechanism to communicate value creation across diverse stakeholder groups; reinforcing evidence that robust ESG disclosure enhances reputation, financial performance and long-term competitiveness (Jo & Harjoto, 2012; El Ghoul et al., 2017; Campillo & Briano, 2022).

Finally, the contribution of this study is both theoretical and practical. For researchers, the index offers a standardized framework for constructing comparable ESG disclosure datasets in Latin America and for examining relationships between sustainability reporting and financial outcomes, innovation or corporate governance (Reyes-Bastidas & Briano-Turrent, 2018; Reyes-Bastidas et al., 2020; Reyes-Bastidas et al., 2025). For companies and policymakers, the index sheds light on minimum disclosure expectations and promotes alignment with international sustainability standards in a region where regulatory pressures remain inconsistent and institutional enforcement is evolving (United Nations, 2018; PWH, 2024; Ramírez, 2024).

■6.0 CONCLUSION, LIMITATIONS AND FUTURE DIRECTION

Since the publication of the SDGs by the UN in 2015, ESG criteria for assessing non-financial performance in the business sector have become increasingly relevant, given that companies are working on sustainable actions and, therefore, have adopted strategies and indicators to measure the impact on the environmental, social and corporate governance dimensions.

The transition towards the inclusion of non-financial information in corporate reporting is essential to meet the demands of stakeholders seeking greater transparency on the social, environmental and governance impact of companies. This approach not only facilitates more informed decisions but also promotes relationships of trust and loyalty between companies and their stakeholders. As corporate sustainability becomes a strategic imperative, non-financial reporting is becoming established as an essential tool for building a solid reputation and ensuring long-term success in an increasingly demanding business environment.

The ESG disclosure index proposed in this paper contributes to different areas of international literature, as it can be applied as investment and self-assessment criteria for companies committed to the environment, society and corporate governance mechanisms. The index is made up of 35 items, of which 9 belong to the environmental dimension, 18 to the social dimension and 8 to the governance dimension. Taking it as a dependent variable, future research studies can start from here, studying the impact of these dimensions on financial performance, innovation and growth.

Society increasingly demands that companies take into account the impact they can have on the environment, and ESG criteria are highly valued by consumers and investors who are committed to a circular and prosperous economy. Therefore, motivating companies, mainly Latin American companies, to generate strategies and measure their impact is a commitment to global sustainability. The practical implications of ESG indicators for business sector is very significant, since they affect how companies operate, compete and are perceived in today's global market. Some practical effects are related to the increase of investor confidence, lower legal and regulatory risks, access to green financing and sustainable investment funds, better reputation with environmentally conscious consumers, improved brand loyaltu among customers who value ethics, higher employee engagement and retention, and stronger long- term sustainability.

We need to acknowledge some limitations and future lines of research, in this topic. Firstly, the study is exploratory in nature, proposing an ESG information disclosure matrix that can be applied to Latin American companies, so it is recommended to generate databases that measure these three dimensions, generating empirical results at a comparative level for the region. On the other hand, it is necessary to include other variables that explain non-financial performance, such as the attributes of decision-makers, the ownership

pattern and the characteristics of the company, such as its size, level of indebtedness or age. For the business sector and those responsible for issuing regulations and standardizing the measurement of non-financial performance. It is necessary to extend international comparative studies that consider the context of the region, to propose methodologies for evaluating non-financial performance in business performance.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the preparation or publication of this article. No financial, personal or institutional benefits were received that could have influenced the results, analyses or interpretations presented.

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