



2022 ANNUAL REPORT

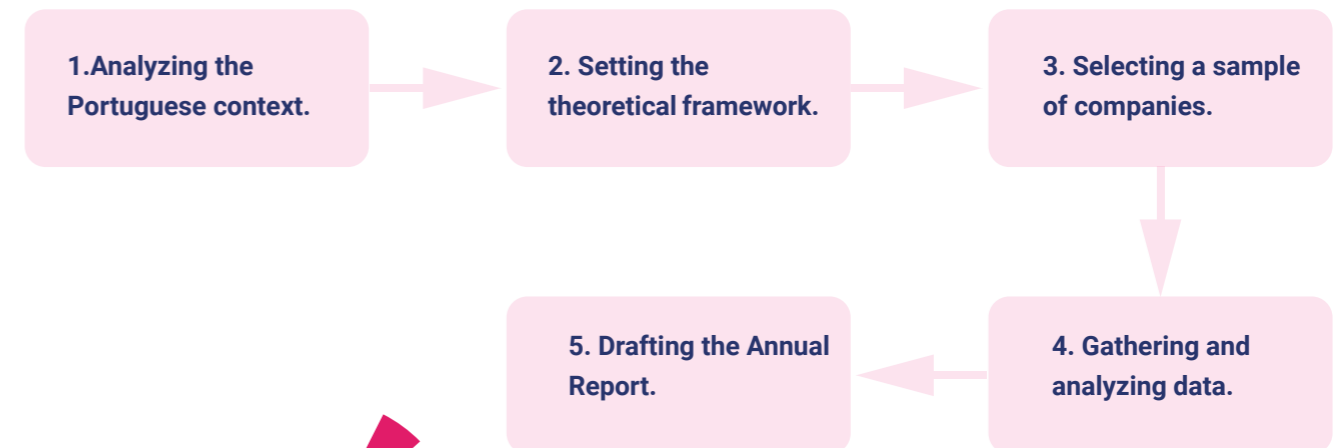
Methodology

- 6.1. The Project's Methodology
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The Project's Methodology 6.1

This project's methodology consists of a five-step process, which includes:



Steps 1,2 and 3 were carried out in the project's first year and will be updated in the following years. Steps 4 and 5 will be repeated every year of the project's execution.

Analyzing the Portuguese context refers to the research of the initial diagnosis whose goal is to frame the SDGs theme into the Portuguese reality and understand how the public policies and business strategies are aligned with the SDGs' ambitions.

The next step, **setting the theoretical framework**, consists of a critical review of the academic literature and practitioners on the adoption of the SDGs by the private sector. This allows setting a framework for evaluating the implementation of the SDGs by companies. The basis for this evaluation in the project's first year was the "SDG Compass" and "SDG Ambition," developed by UN Global Compact, with adjustments by the academic work in progress in Management and Strategy.

The third step, **selecting a sample of companies**, made possible a listing of the 60 Large Enterprises and a group of the Small and Medium-Sized enterprises which are a part of this project. In this group, 10 Small and Medium-Sized and 20 Large Enterprises were selected for deeper analysis through interviews. The results and conclusions of the project represent, thus, the study's sample (as described later in this chapter) and not all Portuguese companies.

Collecting and analyzing data (fourth step) follows a mixed methodology, which combines different methods of collecting, analyzing, and interpreting data. The analyzed data were collected through questionnaires, interviews, and analysis from secondary sources, in the form of the Non-Financial and/or Activity Reports, public information, and reports published by other institutions. There was, therefore, a data triangulation that allowed more rigor in collecting and analyzing the information. According to Maxwell (1996), this technique has as its goal "reducing the risk that the study's conclusions reflect bias or own limitations of a single method," which leads to more reliable conclusions by combining

different perspectives. It is, thus, "a method that adds rigor, range, complexity, diversity, and depth" to the research (Denzin e Lincoln, 2000).

The fifth step is the **Drafting of the Annual Report**, which will be published every year the project takes place.

Research Questions

The project aims at answering the following research questions:

1. What are the Portuguese companies' views on sustainability as a decisive factor in management?
2. What is the Portuguese companies' level of involvement in the SDG Agenda?
3. What are the companies doing, and how do they align the SDGs with their core business?
4. Do Portuguese companies report with the SDGs in mind?
5. What motivates Portuguese companies the most to involve themselves with the SDG Agenda?
6. What are the main obstacles to the Portuguese companies' involvement with the SDGs?
7. Is there a gap between the companies' intention to get involved with the SDG Agenda and the fulfillment of that intention?
8. Do Portuguese companies look at the positive and negative impacts they have on the SDG Agenda? Do they consider synergies and trade-offs while working on the SDGs?
9. Are there good practices concerning implementing the SDGs in Portuguese companies?
10. Do Portuguese companies have their context in mind when choosing their strategic SDGs?

Methodology for selecting the Large Enterprises

In order to select the 60 Large Enterprises that are a part of this study, a database with the companies that make up the General PSI (which gathers the organizations quoted in the Lisbon stock exchange) was created, with an emphasis on the PSI 20 companies (Portuguese Stock Index 20), and the 200 largest companies listed on the National Ranking of Portuguese Cash Companies, scored by sales volume. Companies that are a part of associations or business organizations concerned with sustainability issues were also added, namely the Business Council for Sustainable Development (BCSD) Portugal, GRACE – Responsible Businesses Association, and the UN Global Compact Network Portugal. These companies were added to the initial database to emphasize the population of companies concerned about sustainability issues in the initial data pool. However, the final sample for companies with the most social or environmental concern was not skewed by them, as will be explained in further detail.

The initial listing matches the sum of all companies in the referred lists, excluding duplications, which total 517 companies.

Database	No of companies
PSI 20	19
General PSI	38
Cash listing	200
BCSD	128
GRACE	191
UN GLOBAL Compact Portugal Network	84
Excluded for duplication	143
TOTAL	517

Table 6.1 – Initial Database – Large Enterprises

The designation of the sector to which they belong was attributed to each company. The "Super sector" classification of the Industry Classification Benchmark (ICB) was used as a reference, which identifies 20 super sectors of activity and is used by companies of the Euronext Index. Four sectors were joined in pairs: "Energy" and "Utilities" were grouped into one sector, as well as "Banks" and "Financial Services." This unification is owed to the fact that they are sectors in which the selected companies work simultaneously, for which their joining makes the data analysis simpler. The "Industrial Goods and Services" sector was divided to clarify the distinction of each company's activity. It is then divided into "Industrial Goods and Services" and "Professional Support Services." "Industrial Goods and Services" comprises companies that make or market products for industrial use or supply specialized services, such as maintenance, delivery, and logistics. "Professional Support Services" is represented by companies that supply professional services such as consulting and advocacy.



Sample selection

The following were chosen as inclusion/exclusion criteria for selecting companies for this study:

A. Relevant in the sector in which it operates, which means being among the largest ten companies in terms of total turnover in Portugal in its industry;

B. Characterized as being a “Large Enterprise,” with over 250 employees and over 50 million euros turnover, according to the INE’s definition, in line with Law-Decree No 371/2007, of 6 November (in its current wording), which creates the electronic certification of the micro, small, and medium-sized companies’ statute.

The “concerned with sustainability” factor was not a selection criterion to collect a diverse sample representative of Portuguese companies’ different perspectives concerning sustainability.

The company’s turnover and number of employees were ascertained through research on the respective Internet web pages and official documents of these companies or, in some cases, through direct contact with them.

All the companies that did not satisfy the mentioned criteria were excluded from the listing, which resulted in the exclusion of 101 companies and the reduction of the listing to 366 companies. Companies classified by sector of activity and turnover were later ordered according to their operations’ representativeness in Portugal (turnover and the number of employees).

Selection of companies from the PSI 20, taking selection and exclusion criteria into account

The companies of the PSI 20 were all selected except Semapa (seeing as it is a holding company), Pharol

(as it is an investment group), Greenvolt, Ramada, and Ibersol, as they belong to a sector already represented by other organizations with a bigger turnover and more representative for the Portuguese economy. In cases concerning parity of criteria between other companies of the listing and companies of the PSI 20, the latter was always selected. Thus, the total of companies selected based on the PSI 20 was 12 companies (from a total of 19 companies).

Selection from a total of 60 companies

In order to reach a selection of 60 companies and obtain sectoral representativeness, the companies were selected for each sector according to their turnover, in descending order. Some sectors have bigger representativeness, as with “Banks & Financial Services,” due to their importance and leverage factor in the Portuguese economy. Other sectors have less representativeness because they are equally less representative in the Portuguese economy. All sectors are represented by at least one company.

Elf the need to choose between two companies arises for parity of criteria, companies considered icons in the Portuguese economy, for their image and importance in the Portuguese economic context, were always selected. Such is the case with REN – Rede Eléctrica Nacional, which does not occupy the first place in the “Energy & Utilities” sector but is a part of the PSI 20 and has historical value in Portuguese economic development, having thus been included in the sample.

In each sector, preference was also given to companies that make access to Non-Financial Reports on their website public and easy, as the analysis of these documents is necessary. Inside sectors with very different activities, companies most relevant per segment were chosen to guarantee more diversity and representativeness for the sample. Such is the case, for example, of the “Professional Support Services” sector, where two of the biggest service providers, a consultancy and a law firm, were selected, and of

In this way, the companies’ final classification was made based on 19 sectors listed as follows:

1. *Automobiles and Parts*
2. *Banks & Financial Services*
3. *Basic Resources*
4. *Chemicals*
5. *Construction and Materials*
6. *Consumer Products and Services*
7. *Energy & Utilities*
8. *Food, Beverage and Tobacco*
9. *Health Care*
10. *Industrial Goods and Services*
11. *Insurance*
12. *Media*
13. *Personal Care, Drug and Grocery Stores*
14. *Professional Support Services*
15. *Real Estate*
16. *Retail*
17. *Technology*
18. *Telecommunications*
19. *Travel and Leisure*

After the classification by sectors, 20 associations, cooperatives, and foundations were identified, which were excluded from the sample for not being a part of the population analyzed in this study (companies). 29 holdings, subsidiaries, or companies subdivided by geolocation or business line were also excluded, to avoid the data analysis duplication. All holdings are represented by at least one subsidiary, according to the sectors in which they operate.

Considering these exclusions, the final list comprised 467 companies, as shown in Table 6.2.

Activity Sector	No of companies
Automobiles and Parts	25
Banks & Financial Services	28
Basic Resources	20
Chemicals	7
Construction and Materials	14
Consumer Products and Services	40
Energy & Utilities	32
Food, Beverage and Tobacco	31
Health Care	42
Industrial Goods and Services	48
Insurance	6
Media	15
Personal Care, Drug and Grocery Stores	4
Professional Support Services	83
Real Estate	7
Retail	28
Technology	13
Telecommunications	5
Travel and Leisure	19
Excluded	50
TOTAL	467

Table 6.2 – Classification by Sector

the “Energy & Utilities” case, where companies from different sectors, such as petrol, gas, electricity, and water, were selected.

A distribuição das 60 empresas finais pelos respetivos setores de atividade encontra-se na seguinte tabela:

Activity Sector	No. companies	% Sector
Automobiles and Parts	2	3%
Banks & Financial Services	6	10%
Basic Resources	3	5%
Chemicals	1	2%
Construction and Materials	3	5%
Consumer Products and Services	2	3%
Energy & Utilities	3	5%
Food, Beverage and Tobacco	6	10%
Health Care	3	5%
Industrial Goods and Services	8	13%
Insurance	2	3%
Media	2	3%
Personal Care, Drug and Grocery Stores	2	3%
Professional Support Services	4	7%
Real Estate	1	2%
Retail	4	7%
Technology	3	5%
Telecommunications	3	5%
Travel and Leisure	2	3%
TOTAL	60	100%

Table 6.3 – 60 selected companies with their distribution by sector

The final listing of companies was set according to outlined criteria and was the subject of debate among Project researchers. It was debated and approved by all members of the project and by the respective academic council. It was also the subject of open discussion and debate with the project’s Advisory Board.

When selecting the 60-company sample, the average annual invoice volume of the sample was 1,086 million euros, being that the minimum amount was 70 million euros and the maximum amount was 9,578 million euros.

Of the 60 initially selected companies, 10 were changed according to their availability and/or interest in being a part of this project, and 10 companies have been, consequently, excluded.

The final list of companies that participated in the study follows in alphabetical order:

1. Accenture Consultores de Gestão
2. Adp - Águas de Portugal
3. Altri
4. ANA - Aeroportos de Portugal
5. Auchan Retail Portugal
6. Banco BPI
7. Millennium BCP
8. Banco Santander Portugal
9. Bayer Portugal
10. Bial - Portela & Ca
11. Bondalti Capital
12. Bosch Car Multimedia Portugal
13. Brisa - Autoestradas de Portugal
14. Caixa Geral de Depósitos
15. Companhia IBM Portuguesa
16. Corticeira Amorim
17. CP - Comboios de Portugal
18. CTT - Correios de Portugal
19. CUF
20. Decathlon
21. Deloitte

22. Domingos da Silva Teixeira
23. EDP - Energias de Portugal
24. FIDELIDADE
25. Galp
26. Grohe Portugal
27. Grupo Ageas Portugal
28. Grupo Nabeiro - Delta Cafés
29. Grupo Pestana
30. Grupo Impresa
31. Jerónimo Martins
32. JP Sá Couto
33. L’Oréal Portugal Unipessoal
34. Leroy Merlin Portugal
35. Luz Saúde
36. MC - Modelo Continente
37. Altice Portugal
38. Mercedes-Benz Portugal
39. Mota-Engil
40. Nestlé Portugal
41. NOS
42. Novabase
43. Novo Banco
44. OGMA Indústria Aeronáutica de Portugal
45. Porto Editora
46. REN - Redes Energéticas Nacionais
47. Siemens
48. Sogrape
49. Sonae Sierra
50. Sovena Group (Nutriveste)
51. Sumol + Compal
52. Super Bock Bebidas
53. Tabaqueira
54. TAP Air Portugal
55. Teixeira Duarte
56. Teleperformance Portugal
57. The Navigator Company
58. Unilever FIMA
59. VdA - Vieira de Almeida & Associados
60. Volkswagen Autoeuropa

Selecting Large Enterprises for Interview

Of the 60 company sample, 20 were selected for deeper analysis through an interview to clarify some of the questions placed in the questionnaire (previously answered). Each of the 20 companies corresponds to a different industry to ensure all the 19 industries of the study were represented. The companies were selected randomly in their respective industry. The missing twentieth company was equally randomly selected.

Methodology for selecting Small and Medium-Sized Enterprises

Concerning the Small and Medium-Sized enterprise samples, a partnership was made with IAPMEI, I.P., Agência para a Competitividade e Inovação. This partner collaborated in the selection process of a universe of 1604 companies of high economic-financial performance, distinguished with the PME Líder status. The questionnaire was distributed to a select group of companies to get 100 answers for the analysis.

All the companies of the chosen population have exporting experience at different levels. These are companies with business in the external market, being the most affected by the 2030 Agenda demands. The scope of recipients was also favored, both in sectorial terms and dimensional class. The universe includes small and medium-sized enterprises distributed in the following way:

- Industry: **55,2%**
- Commerce **19,9%**
- Services: **10,7%**



- Transportation: **6,1%**
- Building and Real Estate **5,4%**
- Tourism: **1,6%**
- Agriculture: **1,3%**

The universe of selected companies also has the following characteristics:

- The average income of 6,7 million euros
- On average, export 2,9 million euros
- On average, employ 50 employees

Selecting the Small and Medium-Sized Enterprises for Interview

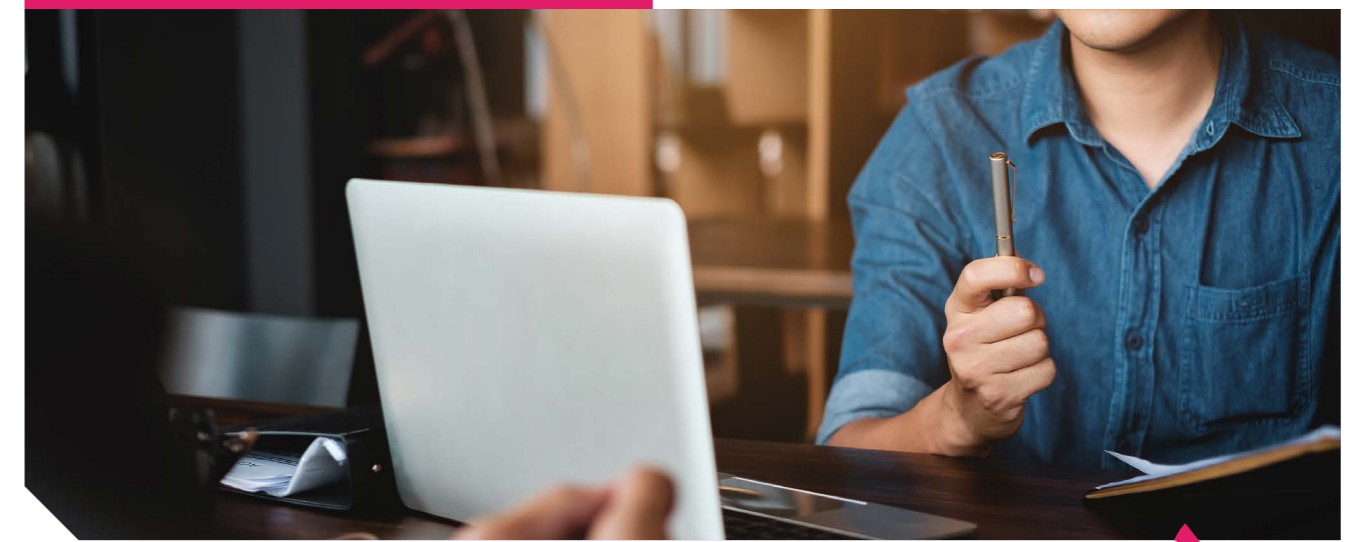
Partnered with IAPMEI, I.P., 10 companies were selected for in-depth monitoring during the project, conducted through interviews. The company's willingness to have a person as a leader apt to accompany the project during at least 4 years was used as a criterion. The sample represents the different sectors initially selected for the Small and Medium-Sized enterprise universe.

Methodology for Data Collection

Questionnaire

The questionnaire given to the Large Enterprises and Small and Medium-Sized Enterprises is divided into 4 parts, which in their turn are subdivided into 12 sections. It includes a total of 69 questions of different types: open or closed answers, with or without development.

The first part of the questionnaire identifies the attributes of the companies which are a part of the sample, highlighting their legal structure, capital structure, number of employees, the structure of the Administration Council and Executive Commission – if there is one -, business networks to which it belongs to, geographies in which it operates, among others.



The second part refers to the implementation of sustainability and the SDGs in the companies, and aims to understand the importance of the concept of sustainability for companies, the SDGs' relevance in the business context, and which are the main communication practices of the SDGs.

The third part aims to identify the main motivations and obstacles to adopting the SDGs.

The fourth and final part refers to the implementation of the SDGs and their impacts on the business context, also analyzing the level of implementation of the SDGs by companies. It also highlights good practices and recommendations of the companies for this study.

Interviews

The interview with the 20 Large Enterprises and the 10 Small and Medium-Sized Enterprises has a total of 13 questions and aims to clarify some of the questions previously answered in the questionnaire. Its aim is to explore the different issues and motivations which led the companies to different answers in the questionnaires. The interviews were conducted through the Zoom platform, with an average of three researchers with the roles of interviewer and

rapporteur, and had an average length of 30 to 45 minutes.

Secondary Sources

The research into secondary sources had as its main focus the companies' Non-Financial and/or Activity Reports, an inquiry into public information found on websites and other means of communication, and reports published by other institutions.

The reports were analyzed with the goal of (1) validating some of the information obtained through the questionnaires (data triangulation), (2) deepening the knowledge of the business context and obtaining insights on the way companies report the SDGs, (3) collecting good practices on the implementation of the SDGs in a business context. The Non-Financial Reports consulted in this study were categorized in the following way:

os neste estudo foram categorizados da seguinte forma:

1. **Sustainability or Corporate Social Responsibility Report:** reports that present information, initiatives, and projects of social and/or environmental impact, without presenting economic impact;

2. **Integrated Report:** report which combines financial and non-financial information and allows the evaluation of the organization's capacity to create value through the identification of their main activities with a holistic approach, which includes the analysis of their activities on the three sustainability axes, generating economic, social, and environmental value;
3. **Annual Report:** a document that mentions the company activities and their economic results and, in this context, identifies and incorporates sustainability in a separate section.

The Non-Financial Reports, which are included the Sustainability Reports, the Integrated Reports, and the Annual Reports (of activity and/or management), are the communication tools most used by companies to answer the current demands from markets and investors concerning the disclosure of their strategies, initiatives, and performance in the three pillars of sustainability (economic, social, and environmental), and in creating value for society.

Besides being the document where the organizations' sustainability strategies and policies are presented, these reports also represent an important reflection exercise, which leads to setting targets and goals concerning sustainability, which in turn can lead to motivating the creation and measuring of value (BCSD, 2021).

The studied reports were subject to qualitative and quantitative analysis, intending to check the strategic alignment of sustainability in companies and the SDGs' integration. The SDGs' integration was also analyzed over the Non-Financial Report, regarding their targets and use of illustrations for their report – whether through graphs, tables, or images -besides the detailed analysis and research of good practices.

Concerning the analysis of good practices, the following criteria were used:

- The process of integrating the SDGs in business strategies and, consequently, the

- process of analysis of materiality;
- How companies incorporate and report the SDGs over their report;
- The presentation of practical cases and their structure (identification of the problem, proposed solution, goals, and achieved results, among others).
- Relevance of the practical case for the Portuguese context, for the industry in which the company is placed, and the business activity it carries out.

In this way, good practices were grouped into five big groups:

1. Process of integrating the SDGs into business strategies
2. Reporting of the SDGs
3. Structuring Practical Cases related to the SDGs
4. Communicating Practical Cases related to the SDGs
5. Good practices in instances of partnerships between companies of the Observatory of the SDGs in Portuguese companies

Finally, a selection was made of a series of examples of good practices to promote the sharing of real cases considered to be useful to all companies. The result of this analysis can be consulted in Chapter 8.

Methodology for Data Analysis

Methodology for Aggregated Analysis

Concerning the methodology for analysis of the questionnaire data, a process of aggregated analysis was made (i.e., to the whole sample) to each question on the questionnaire, through the SPSS tool (version 28.0), for Large Enterprises, as well as Small and Medium-Sized Enterprises. Each question was analyzed through the analysis of descriptions and frequencies, interpreted and later described in this report (Chapter 7).

Clusters for in-depth analysis

Cluster analysis

The Cluster Analysis aims to classify the sample companies into diversified groups so that the different groups (*clusters*) are different in constitution.

The two-step cluster technique was used in the SPSS software (version 28.0). This analysis allows the detection of natural groupings in the data based on distance criteria calculated on answers to the questionnaire items. This technique may take continuous variables, as well as categorical ones, into account.

The variables were included in the cluster formation taking into account their main importance in characterizing the companies' positioning concerning sustainability and the SDGs. In this way, variables were included that define the companies' strategy and its positioning about the view on creating value (*stakeholders or shareholders*), their alignment with the SDGs in the companies' decision-making and strategy, and the viewing of the SDGs as a business opportunity. These variables are directly related to the research questions previously highlighted in this chapter and are the basis for the critical analysis of the data. They can be consulted in Table 6.4.

STRATEGIC VARIABLES THAT DEFINE THE COMPANY'S PROFILE

Question	Possible Answers
My company sees sustainability as a:	Options: Threat, Risks to mitigate, Indifferent, Possibly positive, Strategic opportunity
What best describes your company's main strategy?	Options: Profit; Creation of value for the stakeholders
In what way are the SDGs incorporated into your company's strategy?	Options: They are not incorporated; We chose some we consider to be a part of the sustainability policy and are worked on by that department; We chose some that are aligned with our strategy and are a part of our core business; We set our strategy according to the SDGs and their ambitions, and they guide our activity
Do you see the SDGs as a business opportunity?	Scale: 7 points: 1-not at all 7- Yes, absolutely
Do your company's strategic SDGs support your decision-making process?	Options: Yes / No
Choose the option that makes the most sense to you: "The lack of business case (cost-profit relation) is an obstacle to not further implementing the SDGs."	Options: Yes, because there is no business case; Yes, because it is difficult to find a business case; No, it is not an obstacle

Table 6.4 – Strategic Variables that define the company's profile and serve as the basis for creating clusters

Specific Analyses

In order to deepen the data analysis and better understand Portuguese companies' involvement with the SDGs, hypotheses of validation of the research questions made in the initial phase were set. These hypotheses were grouped into Hypotheses 0) as complementary to the cluster organization (H0); and Hypotheses 1) as illustrative of the business strategies concerning the adoption of the SDGs (H1). The testing of these hypotheses led to a set of specific analyses. In these analyses, tests of differences in averages, chi-squared analysis, and regression analysis were used as answers to further research questions.

The different motivations for the adoption of the SDGs are related to the strategic position concerning the SDGs and sustainability	H0
The different motivations for sustainability are confirmed when there is an obligation to choose between different spectrum	H0
The requirement of choosing between spectrums of different motivations confirms the strategic position concerning the SDGs and sustainability	H0
The strategic position concerning the SDGs and sustainability is related to the way in which the company considered the positive and negative effects of the SDGs, their connections, and how it considers them in decision-making	H0
The company's characterization is related to how the company strategically sees the SDGs and sustainability	H1
The amount of knowledge about the SDGs is related to the strategic position concerning the SDGs and sustainability	H1
The lack of business care and the different obstacles to not adopting the SDGs are related to how the company sees the gap between "where it is" and "where it would like to be" in terms of SDGs and sustainability	H1

The strategic position concerning the SDGs and sustainability is related to how the company sees the gap between "where it is" and "where it would like to be" in terms of SDGs and sustainability	H1
The different motivations for the adoption of the SDGs are related to how the company sees the gap between "where it is" and "where it would like to be" in terms of SDGs and sustainability	H1
The way companies develop partnerships in the SDGs is related to the strategic position concerning the SDGs and sustainability	H1
The existence of indicators connected to the core business and its level of detail is related to the different strategic positions concerning the SDGs and sustainability	H1
The different obstacles pointed to the engagement with the SDGs and sustainability are related to the strategic position concerning the SDGs and sustainability	H1
The knowledge of SDGs and their targets is related to how the company considers the positive and negative effects of the SDGs, their connections, and how it considers them in decision-making	H1
The strategic position concerning the SDGs and sustainability is related to how the company considers the geographies where it operates to choose its strategic SDGs	H1

Table 6.5 – Specific Analyses



The following variables were selected to define the companies' characterization:

COMPANY CHARACTERIZATION

Theme	Question in Questionnaire
Legal Structure	2
Capital Structure	3
Family/Non-Family Company	4
Quoted/Non-quoted in Stock	5
Year founded	9
Geographical Scope (No. of countries and in which continents it operates)	10 & 11
Industry	12
Products and services	13
Companies associated with sustainability business networks	14
Composition of the Board	17 & Composition of the Administrative Council or the Executive Commission, when there is one (will be an extra question sent to companies)

Table 6.6 – Company characterization

Methodology for Interview analysis

The analysis of information gathered during the interviews was made qualitatively and quantitatively. The structuring of the interview analysis contributed to a rigorous evaluation of the collected data based on a sequential and systematic procedure.

Initially, for each question, an evaluation of the interviewed companies' answers was made, as well as a subgroup of what was previously answered in the questionnaire. Thereafter, the open answers were evaluated qualitatively to deepen the reason behind the answers and create clusters or themes in each answer. The answers were grouped into themes through a qualitative analysis developed by each project researcher: "judge." The themes of each open answer were evaluated by two judges, which grouped them into a consolidated version.

The methodology used in this analysis follows the five following points:

1. Each judge read or reviewed the recorded interview and created “themes for each question” in an inductive way. These themes were organized into a codification grid.
2. Individual validation of the judges:
 - Each judge identified themes mentioned in the answers in order to ascertain the main reasons pointed to by each company for the choice made in the questionnaire;
 - Based on this codification exercise, each judge created a table that allows one to see the mentioned themes.
3. Two judges (evaluating the same issue) debated and created a new table summary – consolidated after discussion;
4. The table summaries were discussed between 2 pairs of judges (4 people), which led to the following:
 - Incorporating the notes that resulted from the debate;
 - Harmonizing the clusters with uniform language.
5. Completion of the table summary after evaluation of the four judges.

With a detailed analysis of each answer, the researchers complemented the analysis of the questionnaires with explanations and clarifications from the interviews.

References:

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6.2 The theoretical background for a longitudinal analysis

In order that this study can ground its solid theoretical bases and follow a consistent longitudinal analysis, a theoretical background was set. It is backed by scientific and non-scientific studies and methodological proposals validated for successfully implementing the SDGs into business strategies and operations. Therefore, the theoretical background allows for the following:

1. Defining a framework that can establish the strategic attitude recommended for the adoption of the SDGs by the companies
2. Link that framework to a set of measurable indicators that can be annually monitored to support the longitudinal analysis of the data collected in the study:
 - Annually offer basic data for evolution analysis of the companies being studied and monitoring their performance in the SDGs by activity sectors
 - Present case studies and good practices or innovations which other companies may emulate
 - Promote synergies gathering and

discussion places between Portuguese companies which have held the Sustainable Development Agenda as a priority

3. Promote debate in Portuguese society about the relevance of companies' contribution to the 2030 Agenda
4. Serve as an analytical basis to be adopted in other contexts and geographies and position Portugal as a case study in this issue

In this sense, and based on the adopted theoretical background, data is collected annually from 1) companies' Non-Financial Reports, 2) information gathered from questionnaires and interviews conducted with points of contact in the Portuguese companies being analyzed; 3) public information, namely reports published by other institutions and by the media. The data collected and questions placed (in the questionnaire and interview presented in Chapter 6.1) follow the set-theoretical background matrix, approaching crucial questions for the awareness of the level and adequacy of the understanding and implementation of the SDGs in Portuguese companies.

Theoretical background – framework proposals for implementation and analysis

The *framework* analysis of Portuguese companies' involvement with the SDGs will follow the guidance of the tools developed by the **UN Global Compact (SDG Compass e SDG Ambition)**, with adjustments and improvements based on academic work in progress in the field of Management and Strategy.

The *framework* analysis has as its basis some SDG implementation principles in business strategies, which were subject to analysis and are also a base on which to create indicators used in the phase of gathering and studying the project data:

- Understanding the concepts of sustainability and the SDGs
- Knowledge of the SDGs in the organization
- Implementing the SDGs as a strategic tool vs. social responsibility tool or reputational tool
- Viewing (or not) the SDGs as a strategic advantage that generates business case
- Adopting (or not) the SDGs in the operation core. Its selection process
- Adopting the SDGs and considering the interconnection between the SDGs
- Analyzing the positive and negative effects of the Sustainable Development Agenda
- Inside-out view and conjugating it with the outside-in view of the 2030 Agenda
- Company's attitude toward this Agenda: from passive to proactive
- Adopting strategies in partnership
- Communicating the SDGs – as a strategic or reputational tool
- Existence of internal and external (culture and brand) communication and monitoring of the proposed goals

Proposing a framework for the implementation is based on contributions from the practice and the academy concerning the strategic implementation of the SDGs in companies. It is equally based on the practical accompaniment that the Center for Responsible Business and Leadership has come to practice on various companies, mainly in the Portuguese context. In this way, various tools were analyzed, which allowed for enriching the framework being used, which is next presented in a simplified way.

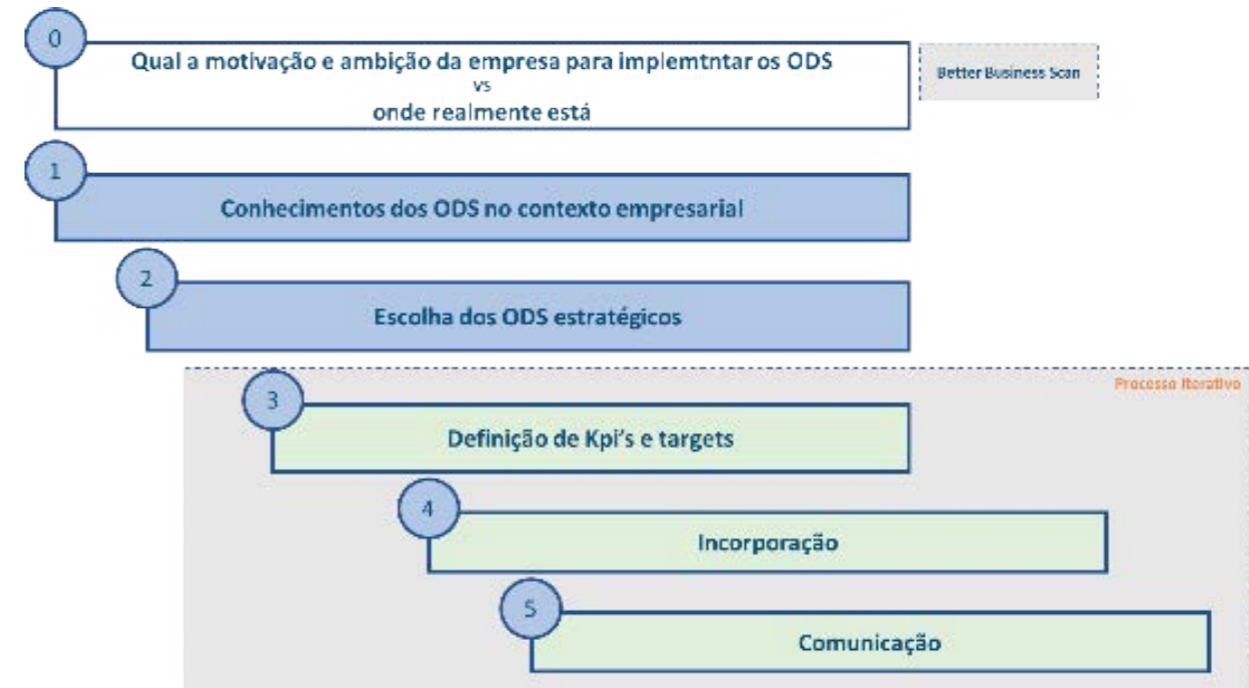


Figure 6.2.1 – Framework of the implementation of the SDGs
Source: authors (inspired by the SDG Compass)

Step 0: Analysis of the company's status quo: Motivation and ambition for implementing the SDGs vs. where it actually is

Step “zero” for effective implementation of the SDGs in business strategies is identifying the company's knowledge of its position in sustainability issues, specifically its alignment with the SDGs. This analysis allows one to understand how the company can start acting and what trajectory it must adopt to align its intentions and ambitions with the 2030 Agenda.

To make this diagnosis, some questions placed to the companies in this Observatory were inspired by the Better Business Scan tool, which allows one to evaluate the company's position on issues of sustainability and SDGs and compare that position with its ambitions and intentions.

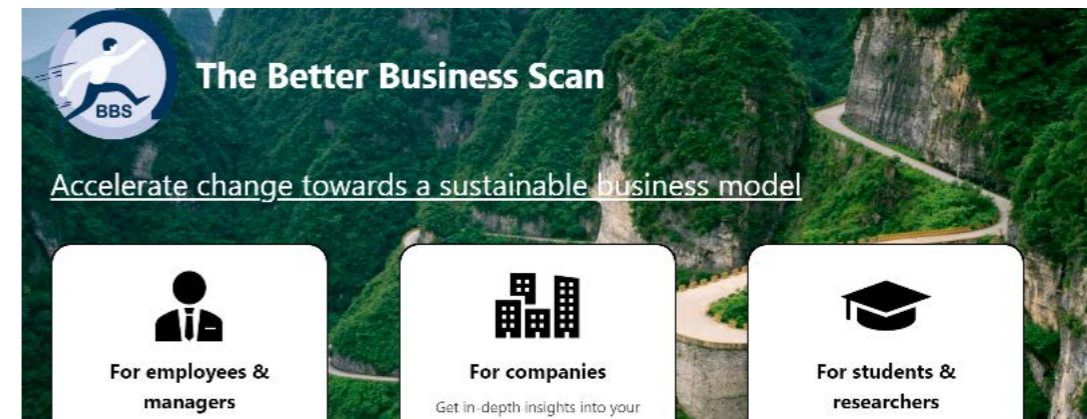


Figure 6.2.2 – Better Business Scan
Source: <https://www.betterbusinessscan.org/>

Step 1: Knowledge of the SDGs in the company and their incorporation into business culture

After understanding its position on the path to sustainability and the knowledge of SDGs existing on an internal level, the company is ready to start its journey in implementing the SDGs. Point 1 of this journey is promoting internal knowledge of the SDGs close to the collaborators to embed the culture with this Agenda's inspiration. This step is inspired by point 1 of the SDG Compass (SDG Compass, 2016).

It is very important in this stage that some points are highlighted:

- The level of detail in knowledge on SDGs must always include the analysis of its 169 targets
- The SDGs are positively and negatively impacted by business activity
- The SDGs are interconnected. So, by impacting an SDG, the company can generate spillovers in many other goals and targets.

Step 2: Choosing Strategic SDGs

The SDGs are not all equally important in business strategies. Some goals are more relevant to some companies than others, taking into account 1) the core of their operations, 2) how each company can contribute toward the different SDGs, positively and negatively, 3) the company and the stakeholders' view, as well as 4) the kind of value creation and economic, social, and environmental contribution the company can make by working this Agenda. In this phase, it is intended that companies choose the most relevant SDGs.

Step 3: Defining Targets and KPIs

After choosing the strategic SDGs for the company (through which it is intended to rectify negative effects or speed up positive contribution), targets and KPIs

must be set, so they can be fulfilled in a practical way in business activity by all departments and business units. The setting of targets and KPIs follows the strategic guidance of the company on its path of sustainability according to the SDGs. Therefore, for each SDG chosen, the company must set targets and KPIs to be reached that fulfill the various requirements, including a clear baseline, specific mediation, following acknowledged benchmarks, and being ambitious and realistic.

Step 4: Incorporation

After choosing the targets and KPIs, the company shall be apt to develop a process of incorporating these goals in all their production chain and embed the whole organization and its culture with the SDG spirit. Therefore, the phase of incorporation includes some specific points, among which are:

1. Clear commitment of the company CEO and Administration Council/Executive Committee to the SDGs and the chosen goals
2. Announcing the company's commitments in a clear way
3. Defining the internal Champions
4. Including the strategic goals in the core of the company's operation
5. Associating the SDGs to incentives and decision-making criteria
6. Promotion of partnerships

Step 5: Communication

This final step includes the company's communication on its ambitions for fulfilling the 2030 Agenda. It is crucial for the company to publicly and transparently assume its commitments and actively show its commitment and contribution to the Global Agenda of sustainable development. This company's communication is made through its website, social media, various means of communication, products, and labeling, and through its Non-Financial Report (often called Sustainability report, integrated or activity

report, according to each company's preference). A clear and concise communication of its sustainability strategy in all these outlets is crucial to create bonds of trust with the different stakeholders.

Therefore, based on its strategic SDGs, its internal strategy of its operationalization, and the impact it aims at together with all the stakeholders, each company must create its storytelling, an inspirational and transparent narrative aligned with its organizational identity. This communication must include the reasoning behind the choice of their strategic SDGs (linked to the company's core and identity and its ambitions of contribution) and the way in which this choice widely impacts society and other goals of the 2030 Agenda.

Choice of comparable standards and an ambition aligned with a Global Agenda

As mentioned in Step 3 of this process, the choice of report and indicators of sustainability standards may follow various patterns. No matter the chosen standard, the most important thing is that the company makes the report with the goal of constant evaluation and search for progress. It is also important that the company chooses ambitions aligned with the necessary global goals. As the amount of companies subject to the obligation of presenting a Non-Financial Report rises, and as one walks toward global standardization of norms applicable to this report (see Chapter 4.1), the important thing is the Non-Financial Report is recognized as an instrument to make the companies' contribution to this 2030 Agenda more and more incisive.

The *theoretical background* and the implementation *framework* presented do not exhaust all the research and consolidation work developed by the project's team, wherefore any issue concerning it should be presented to the *Center for Responsible Business and Leadership*.