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Conclusions

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The third year of activities of the Observatory of the SDGs in Portuguese Companies offers new insights and deepens the knowledge about the implementation of the 2030 Agenda in the private sector in Portugal. The analysis is based on data collected through questionnaires, interviews, and Sustainability Reports from participating companies, complemented by national and international reports and studies, as well as interviews with experts in Portugal.

This study provides a comprehensive view of the state of SDG implementation in the country and an analysis of its evolution globally, in Europe, and nationally, addressing crucial themes for promoting the SDGs in the business context. The report, now in its third annual edition, aims to fulfill the central mission of this project: accelerating the contribution of the Portuguese private sector to the Sustainable Development Goals.

The year 2024 marks the beginning of the second half of the journey toward 2030, representing a critical period for the future of the Agenda. This year is characterized by significant changes, including a record number of elections in Europe and around the world. However, progress on the 2030 Agenda remains stagnant, affected since 2020 by the COVID-19 pandemic and global instability, exacerbated by conflicts in Ukraine and the Middle East.

The *Sustainable Development Report 2024* reveals that only 16% of the SDG targets are on a favorable path to be achieved by 2030. The pace of progress continues to vary among different groups of countries, with global challenges reinforcing the need for international cooperation. In particular, targets related to food systems and land use are in a critical state.

Despite global stagnation, Europe, especially northern countries, continues to lead in SDG performance. Portugal ranks 16th in the global ranking of 167 evaluated countries, having risen two positions compared to last year. Additionally, the creation of the National Roadmap for Sustainable Development 2030, overseen by the Prime Minister's Office (*Presidência do Conselho de Ministros*) and the Ministry of Foreign Affairs (*Ministério dos Negócios Estrangeiros*), is noteworthy. This project was launched for public consultation in April 2024, and its publication is

awaited. This mechanism aims to drive changes that accelerate the implementation of the 2030 Agenda in Portugal. Internationally, the Summit of the Future, held in 2024, stands out for its goal of strengthening global cooperation to effectively address the challenges facing current and future generations.

As in the previous year, the data from this Report continues to show a **growing adoption of the SDG Agenda by Large Companies, accompanied by progressive engagement from SMEs**.

There has been **significant progress in the incorporation of the SDGs into the business strategies of Large Companies** (from 67,2% to 82,8%), and **increasingly, these companies are defining their strategies according to the SDGs** (26,2% in Year 2 vs. 34,5% in Year 3).

In **SMEs**, there was an **increase in the incorporation of the SDGs into their strategies**, rising from 30,6% to 40,1%. Additionally, a **growing number of companies began defining their strategies according to the SDGs** (from 1,9% to 6,8%), although the majority (71,2%) still prefer to select strategic SDGs that align with their business strategies.

The majority of Large Companies (87,9%) and SMEs (66,7%) **see the SDGs as a business opportunity** (78,7% and 63,9% in Year 2, respectively).

The number of companies that consider the **strategic SDGs as support for the decision-making process also increased**. (For Large Companies, the increase was from 73,8% in Year 2 to 79,3% in Year 3, and for SMEs, there was an increase in absolute numbers from 74 to 88 companies, although there was a percentage decrease from 68,5% to 66,7%.)

It is therefore possible to reaffirm the Year 2 conclusion that indicates a general increase in the **strategic alignment of companies with the SDGs**. This increase is particularly evident in Large Companies, widening the gap compared to SMEs.

The gap between the **importance attributed to the SDGs and their implementation** has disappeared in Large Companies, although it remains for SMEs.

Large Companies continue to assign **greater importance** to SDGs 8, 13, 5, 7, 12, and 9, while SMEs highlight SDGs 8, 9, 7, 12, 4, and 3, assigning less relevance to SDG 5. For Large Companies, a gap was

identified between the importance and contribution to SDGs 13 and 7, indicating that they feel they contribute less to two of the SDGs they consider priorities. In the case of SMEs, the opposite is observed, with a smaller gap in contributions to SDGs 7 and 8.

The **lack of knowledge about the SDGs and how to operationalize them** were identified as the main barriers for SMEs. Additionally, the **lack of financial and human resources** necessary for the full implementation of the 2030 Agenda are also relevant barriers. These two main barriers are similar to those in Year 2; however, the limitation of not seeing the SDGs as a business opportunity, which ranked third in Year 2, appears to be decreasing.

Large Companies identify the **biggest challenge as the SDG framework being too distant from business language**. According to the interviews conducted, companies show a preference for the ESG framework, which they consider more aligned with corporate reality. Additionally, the increasing legislative burden on sustainability has led companies to prioritize regulatory obligations, relegating the integration of the SDGs to a secondary level, a trend confirmed in the interviews. **Lack of knowledge about the SDGs** is identified as the second largest barrier for Large Companies. In third place is the **lack of knowledge on how to operationalize them** and the **lack of resources**, although both barriers have decreased in importance between Year 2 and Year 3 (in Year 2, these were the main barriers, along with lack of knowledge about the SDGs). Therefore, there is an increasing barrier regarding the language of the SDGs, which is perceived as distant for companies.

The **motivations** for adopting the SDGs remain similar to those in Year 2. For Large Companies, the main reasons include having an **impact on the industry as a leader in sustainability, solving social problems, and generating business opportunities**. **Compliance with legislation** has become a stronger motivation for Large Companies to adopt the SDGs compared to previous years. Although it has not decreased in importance, "gaining competitive advantage" is no longer one of the main motivations (from Year 2 to Year 3), due to the increased importance given to other options.

In SMEs, **talent acquisition and retention, business growth opportunities, and competitive advantage** stand out. There was also an **increase in the motivation to have an impact as a leader in sustainability**. The highlight this year is the "talent acquisition and retention" option, which previously

did not exist. The other two main motivations in Year 2 (compliance with legislation and gaining reputation) remain important but to a lesser extent compared to the others.

Finally, there was an **increase in the percentage of Large Companies that incorporate the SDGs into their Sustainability Reports** (from 86% to 94%), as well as those that mention specific SDG targets (from 28% to 32%), although this percentage remains low. There was also growth in the percentage of companies that align their strategy with the SDGs (from 67% to 75%) and that explain the process of selecting strategic SDGs (from 38% to 47%). There was a slight decrease in the percentage of SMEs that publish reports, from 14,8% in Year 2 to 13,6% in Year 3. However, the absolute number of companies increased from 16 to 18.

For the first time, this Report compares **different industries** in the sample, revealing a generally similar positioning regarding sustainability and the SDGs, but with opportunities for improvement, especially in sectors such as Sales, Technology & Telecommunications, Manufacturing, and Construction & Real Estate.

In addition to publishing the Year 3 Report, the Observatory released three research notes this year, summarized in Chapter 3, which aim to support companies on the path to sustainability:

1. Corporate Governance: Strategic Alignment with Sustainability;
2. The Strategic Integration of the SDGs for Corporate Success: Some Practical Cases;
3. Sustainability Reports: Strategic Incorporation and Communication of the SDGs.

The Observatory of the SDGs in Portuguese Companies reinforces its commitment to working together with Portuguese companies, promoting sustainable management aligned with the Sustainable Development Goals. To this end, we will continue to deepen this study and provide practical support to companies on their journey towards sustainability.