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Edited by David Crowther
and Shahla Seifi

DEVELOPMENTS IN CORPORATE
GOVERNANCE AND RESPONSIBILITY

VOLUME 24

SOCIETY AND SUSTAINABILITY

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DEVELOPMENTS IN CORPORATE GOVERNANCE AND RESPONSIBILITY VOLUME 24

SOCIETY AND SUSTAINABILITY

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PART 1

TOWARDS SUSTAINABILITY

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INFLUENTIAL FACTORS BEHIND SDGS RELATED-DISCLOSURE IN LARGE PORTUGUESE COMPANIES: AN ISO CERTIFICATION APPROACH

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ABSTRACT

In 2015, the United Nations approved the 2030 Agenda defining 17 Sustainable Development Goals (SDGs), and 169 targets. Among those, the target 12.6 encourages companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. Thus, the aim of this paper is to understand whether ISO certification is a determinant factor in SDGs reporting. Standalone non-financial reports of the largest Portuguese companies were collected from 2016 until 2020, obtaining a total of 119 reports from 41 companies: 27 (22.7%) of the reports corresponds to non-certified companies and 92 (77.3%) to certified ones. Through a content analysis of the non-financial reports, an SDG disclosure Index (SDG_IND) was developed, to measure the level of disclosure on SDG. A set of panel data based on a Tobit regression analysis was applied, in STATA software, using the total of observations during the period 2016–2020, to verify if the variable ISO certification explains the level of SDGs disclosure. Contrary to our expectation, we did not find significant differences between certified and non-certified companies concerning the SDG-related disclosure. As far as we are aware, previous research in SDG has not considered the linkage with ISO certification. This article aims to explore this gap by investigating differences between certified and non-certified companies, regarding SDG disclosure, as whether ISO certification is a determinant factor of such disclosure.

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1. INTRODUCTION

In 2015, the United Nations (UN) adopted the 2030 Agenda, containing 17 Sustainable Development Goals (SDGs), designed to be universal and to be applied to all countries. This agenda defines the priorities and requires a global action by governments, business, and civil society. The UN 2030 Agenda represents an opportunity to improve the companies' management and the relationship with stakeholders. This Agenda represents a holist framework to analyse and measure the progress of all actors towards the SDGs achievement (Diaz-Sarachaga, 2018). Thus, companies need to be able to assess their social/environmental impacts and to review their strategies towards Sustainable development. Disclosure information on sustainability/sustainable development is a key element in the companies' transparency and accountability. Therefore, reporting can play an important role by disclosing the companies' contributions and progress towards the SDGs.

Among the goals of the 2030 Agenda, the target 12.6 encourages companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. Additionally, the International Organisation for Standardisation (ISO) described each ISO standards' contributions to the SDGs.

In the scope of SDGs reporting, international empirical research is few and recent (Curtó-Pagès et al., 2021; Haywood & Boihang, 2021; Hummel & Szekely, 2022; Monteiro et al., 2022; Pizzi et al., 2022; Schramade, 2017; Tsalis et al., 2020). As far as we are aware, previous research in SDG has not considered the linkage with ISO certification. There are some Portuguese studies evaluating sustainable development (SD) and SDGs disclosure among samples of certified companies (Carvalho et al., 2018; Carvalho, Domingues, et al., 2019; Carvalho, Santos, et al., 2019; Fonseca & Carvalho, 2019). However, the empirical literature negligees the variable certification as a potential determinant factor of SDG disclosure.

Thus, this article aims to explore this gap by investigating differences between certified and non-certified companies, regarding SDG disclosure, as whether ISO certification is a determinant factor of such disclosure.

Additionally, this paper has the following specific objectives: (a) to understand how the SDGs are disclosed in *t* non-financial reports, grouping certified and non-certified large Portuguese companies; (b) to understand which SDGs are referenced by certified and non-certified and which are the priority SDGs considered; (c) to understand if ISO certification influences the level of SDGs disclosure.

The rest of the paper is organised as follows: Section 1 outlines the literature review; Section 2 develops the research design, namely the research hypotheses, the sample, and the research methodology; and Section 4 discusses the study's findings. Finally, it draws the main conclusions of the research and presents its limitations and suggestion for future research.

2. LITERATURE REVIEW

2.1 ISO Certification and Commitment to SDGs

The 2030 agenda defines the priorities and requires global action by governments, business, and the society. It recognises the private sector as having a pivotal role in achieving the UN goals, providing a better and sustainable world for the future generations, because it is the main detainer of world's economy, advanced technologies and of most advanced procedures and management systems.

The sustainable development concept's transition, from a macroscale (planet) to a microscale (business community), it is believed to be closely related to management systems (MS) evolution within organisations, more specifically the adoption and certifications in quality management systems (QMS), environmental management systems (EMS), occupational health and safety management systems (OHSMS), social responsibility management systems (SRMS), and integrated management systems (IMS) (Santos et al., 2018, p. XXI).

Nowadays, numerous international independent bodies are responsible for standards publication from which organisations build, maintain, and improve their MS. One of the most known and quoted is ISO, an international and independent organisation officially founded in 1947, headquarters in Genova with a membership of 167 national standards bodies. Presently, ISO has released 24,250 International standards covering almost all aspects of technology and manufacturing and have 804 technical committees and subcommittees responsible for standards development (ISO, 2022a).

From a holistic perspective, within an organisational level, the QMS is considered to approach the economic dimension of the SD. The environmental perspective is approached by the EMS, while the social dimension is approached by the OHSMS. Consequently, the integrated management systems in quality (ISO 9001), environment (ISO 14001), security (ISO 45001/BS OHSAS 18001), and social responsibility (ISO 26000/SA 8000) is considered a useful tool for sustainable development integration within businesses (Santos et al., 2018, pp. 369–370). Additionally, some authors have already recognised the contributions of the ISO 9001 (MQS), ISO 14001 (EMS), BS OHSAS 18001 (OHSMS), and ISO 26000 (SRMS) towards the sustainable development (Başaran, 2018; Borella & Borella, 2016; Gianni et al., 2017; Merlin et al., 2012; Rebelo et al., 2016; Santos Ferreira & Gerolamo, 2016). Nevertheless, others also argue that those ISO standards do not provide specific guidelines for sustainable development, only instructs in one of its dimensions. In this sense, some defend the creation of a new standard with specific guidelines for sustainable development in all its dimensions. These models proposed for sustainable development management in organisations are grounded in the ISO high-level structure (Annex SL) and in the Deming cycle, PDCA (Plan – Do – Check – Act), the cycle for continuous improvement, one of ISO standards baselines (Asif & Searcy, 2014; Asif et al., 2011).

ISO 9001:2015 introduces a quality management system as a strategic organisational decision that can improve their general performance and provide a baseline for sustainable development initiatives (ISO, 2015b, p. 7). The standard

enhances customer satisfaction as also enables the organisation to provide products/services that meets the needs of its stakeholders and relevant state and regulatory requirements. The QMS relies upon seven principles: customer focus; leadership; people engagement; process approach; improvement; evidence-based decision making; and relationship management (ISO, 2015c, Chapter 2.3). Additionally, the structure of ISO 9001:2015 is governed by the PDCA cycle which includes all the clauses of the norm and allows their interconnectivity: the context of the organisation; leadership; planning; support; operation; performance evaluation; and improvement.

The ISO 14001:2015 enables organisations to manage and improve their environmental aspects related to their activity, as to fulfil compliance obligations and achieve environmental objectives (ISO, 2015a). The EMS relies in the PDCA cycle, mentioned before. The systematic management of the environmental aspects imposed by ISO 14001 contributes to sustainability, through pollution prevention, improved environmental performance and complying with applicable laws, but it can also improve organisational, operational, people, and customer results (Fonseca, 2015).

Simultaneously, companies are increasingly committed to occupational health and workers' safety due to legal regulations and external pressures. Also to reduce direct and indirect costs resulting from workplace accidents and/or occupational diseases, but mostly to promote safety and wellbeing among their employees (Başaran, 2018). ISO 45001:2018 came to substitute the previous OHSMS standard, OHSAS 18001, and presents a management system that allows the continuous improvement, assessment of the legal and other requirements and ability to attain the established objectives in occupational health and workplace safety. The normative clauses of the system are interconnected and supported by the Denim cycle (ISO, 2019).

In the social responsibility domain, ISO presented the standard ISO 26000: 2010, guiding concepts, terms and definitions related to the matter, their background, trends, characteristics, principles, practices, and the core subjects and issues of social responsibility. ISO 26000:2010 promotes commitments to communication, performance, and other relevant information and also provides guidance to identify and engage with stakeholders. This management system attends to contribute to sustainable development and encourages organisations to go beyond the basic legal obligations. However, it is not a management system standard because it does not have requirements and cannot be used for certification (ISO, 2018b). Nevertheless, there is the 'SA 8000:2014 Social Accountability 8000' standard from Social Accountability International (SAI), the world's leading social certification programme. The standard has the following requirements: child labour, forced or compulsory labour, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, and management system (SAI, 2014). Additionally, in 2019 the 'Instituto Português da Qualidade' (IPQ) published a portuguese standard 'NP 4469:2019 Sistema de Gestão da Responsabilidade Social'. The document follows the ISO high-level structure (Annex SL) and integrates the PDCA cycle, allowing the integration with other ISO management

systems. Some authors, for example, Peršič and Peršič (2016), already confirmed that the implementation of social responsibility standards has a positive impact on the SD, as well as on financial indicators.

Companies certified in two or more ISO standards can integrate their MS. The ISO never published an integrated management standard. However, the previously mentioned annexe SL allowed a language, content and structure unification between the different ISO standards and permitted companies to integrate separated MS, for example, IMS in quality, environment, and safety (9001:2015, 14001:2015, and 45001:2018, respectively). IMS offer multiple advantages to companies in multiple levels (management, employees, production, environment, market, occupational health, and safety process) and, consequently, improve their SD contribution (Başaran, 2018).

According to ISO, their standards not only contribute to sustainable development but also to the SDGs. In 2018, ISO published the document 'Contributing to the UN Sustainable Development Goals with ISO standards' where, for each SDG, they provided an example of which ISO standard stands out to SDG contribution (ISO, 2018a). The information is summarised in Table 1.

Similarly, the ISO website discriminated for which SDGs the implementation of the standard contributes. ISO 9001:2015 contributes to SDG1, SDG9, SDG12, and SDG14 (ISO, 2022e). ISO 14001:2015 contributes to SDG1, SDG2, SDG3, SDG4, SDG6, SDG7, SDG8, SDG9, SDG12, SDG13, SDG14, and SDG15 (ISO, 2022b). ISO 45001:2018 contributes to SDG3, SDG5, SDG8, SDG9, SDG10, SDG11, and SDG16 (ISO, 2022d). At last, ISO 26000:2010 contributes to all the SDGs, except the SDG17 (ISO, 2022c).

2.2 SDG Reporting

In 2015, with the announcement of the SDGs, the Global Reporting Initiative (GRI), the World Business Council for Sustainable Development (WBCSD), and the UN Global Compact to create a practical guide – SDG Compass – to support companies and other organisations to align their strategies towards the SDGs and to measure and manage their contribution. SDG Compass puts sustainability at the centre of their business strategy and helps companies to identify the GRI standards that can be used to disclose their actions to reach the SDGs (SDG Compass, 2015).

Moreover, UNGC and GRI also developed two more fundamental documents: 'Business Reporting on the SDGs: An Analysis of the Goals and Targets' and 'A Practical Guide to Defining Priorities and Reporting'. These documents do not aim to create a new reporting framework, only intend to provide a structure to help organisations reveal their contribution to SDGs considered to be a priority and to provide relevant information to stakeholders. Both documents should complement each other and be part of the regular reporting cycle of organisations.

However, the standardisation and development of reporting tolls is still in development and there is a general gap in reporting characterisation and quality evaluation (Bedenik & Barišić, 2019; Pizzi et al., 2021). In fact, none of the most

Table 1. Examples of ISO Standards Specifics Contributions to Each SDG.

Sustainable Development Goal	ISO
Goal 1. No poverty	ISO 20400, Sustainable procurement ISO 37001, Anti-bribery management systems
Goal 2. Zero hunger	ISO 22000, Food safety management ISO 26000, Guidance on social responsibility ISO 20400, Sustainable procurement
Goal 3. Good health and well-being	ISO 11137, Sterilisation of healthcare products ISO 7153, Materials for surgical instruments ISO 37101, Sustainable development in communities
Goal 4. Quality education	ISO 21001, Educational organizations – Management systems for educational organizations ISO 299993, Learning services outside formal education
Goal 5. Gender equality	ISO 26000, Guidance on social responsibility
Goal 6. Clean water and sanitation	ISO 24518, Crisis management of water utilities ISO 24521, Activities relating to drinking water and wastewater services – Guidelines for the management of basic on-site domestic wastewater services
Goal 7. Affordable and clean energy	ISO 50001, Energy management systems ISO 52000, Energy performance of buildings ISO 9806, Solar thermal collectors ISO 17225 family, Solid biofuels
Goal 8. Decent work and economic growth	ISO 45001, Occupational health and safety ISO 37001, Anti-bribery management systems
Goal 9. Industry, innovation and infrastructure	ISO 4401, Collaborative business relationship management systems
Goal 10. Reduced inequalities	ISO 26001, Guidance on social responsibility
Goal 11. Sustainable cities and communities	ISO 37101, Sustainable development in communities ISO 37120, Sustainable cities and communities
Goal 12. Responsible consumption and production	ISO 20400, Sustainable procurement ISO 14020, Environmental labels and declarations ISO 15392, Sustainability in building construction
Goal 13. Climate action	ISO 14001, Environmental managements systems ISO 14064, Greenhouse gases
Goal 14. Life below water	ISO/TC 234, ISO's technical committee of fisheries and aquaculture ISO/TC 8, Ships and marine technology
Goal 15. Life on land	ISO 14055, Environmental management – Guidelines for establishing good practices for combatting land degradation and desertification
Goal 16. Peace, justice and strong institutions	ISO 37001, Anti-bribery management systems
Goal 17. Partnerships for the goals	No specific identification

Source: ISO (2018a).

popular sustainability/non-financial reporting frameworks (such as those of the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC, 2021)) included specific guidance on SDGs disclosure. Thus, the linkage of SDGs to corporate reporting is still at a very embryonic stage and it is, therefore, necessary to promote their progress.