Does SDG Coverage Influence Firm Performance?

Disney Leite Ramos *, Shouming Chen #, Ahmed Rabeeu *# and Abdul Basit Abdul Rahim

School of Economics and Management, Tongji University, Shanghai 200092, China; schen@tongji.edu.cn (S.C.); basberg125@tongji.edu.cn (A.B.A.R.)

* Correspondence: disney@tongji.edu.cn (D.L.R.); rabeeu@tongji.edu.cn (A.R.); Tel.: +86-21-65981559 (D.L.R.)

Abstract: The purpose of this study is to examine the influence of the Sustainable Development Goals (SDGs) on firm performance. The study examines the SDG coverage of international firms in six industries listed in the Corporate Knights’ Index, including banking, insurance, petroleum refineries, real estate investment and services, and investment services. Through a content analysis approach, the annual and sustainable reports of these firms for the year 2020 were used to extract financial and SDG information, respectively. The findings indicate that SDG coverage has no effect on firm performance. The results also show that SDGs 5, 8, and 13 appear to be the most widely adopted SDGs by companies from all industries, while SDGs 2, 6, and 14 tend to be the least focused on of all SDGs. This study can assist regulators and investors in better understanding the role of SDGs in achieving an organization’s success.

Keywords: Sustainable Development Goals (SDGs); firm performance; content analysis approach; Return on Equity (ROE); Corporate Knights’ Index

1. Introduction

The United Nations (UN) approved 17 goals for sustainable development in 2015. The new agenda places importance on taking a holistic approach to achieve sustainable development for all, which is guided by the notion of “leaving no one behind”. The SDGs address many concerns by encouraging healthy living and well-being for all. Therefore, incorporating these SDG activities into businesses is essential for regulators, investors, governments, and millions of consumers since it helps to achieve equitable and safe enterprises, future social development, and the improvement of sustainable economic growth. In today’s economic climate, firms are under increasing pressure from a range of non-shareholding stakeholders, such as consumers, workers, and non-governmental organizations (NGOs), to pay greater attention to sustainable efforts [1]. However, the primary purpose of a business entity is to maximize shareholder wealth as measured by the stock market price. To accomplish their primary goal, firms must act in the best interests of investors and avoid activities intended to deceive them. Firms may be encouraged to engage in SDGs if they add value to the organization. Therefore, convincing evidence of a link between SDGs and financial performance is crucial for firms.

Research on Sustainable Development Goals (SDGs) has emerged in academia with the adoption of the Global Agenda, and authors from numerous disciplines have begun to explore the topic [2]. In recent years, there have been numerous contributions to the literature from various fields, including finance [3], education [4], law [4], accounting [3], cycle analysis [5], official development assistance [6], management and business [7], and urban development [8].

Despite the importance of achieving a more sustainable planet by 2030, empirical evidence indicates that only a tiny proportion of businesses adhere to a specific SDG strategy, implying that the majority of companies do not give SDGs the priority they require, and those that do adhere to a particular SDG strategy do so symbolically [9]. According to a recent analysis of 700 global corporations, only 27% of firms incorporate SDGs into their...
This lack of involvement may appear logical, given the difficulty of reconciling shareholder value creation with the overarching goal of creating benefits for society [11]. According to some researchers [12], it is challenging to reconcile SDG concerns with making shareholders profit. They observe that the win–win situation for businesses is not always evident in the case of specific SDGs. Some firms may have strong intentions to meet the SDGs and even understand their importance in strengthening relationships with stakeholders. However, firms may not place importance on integrating SDGs into their business strategies due to the absence of sustainability disclosure regulations and evidence of a win–win situation that results in increased financial performance.

Although some studies show there is no substantial effect of SDG reporting on firm performance, other studies show an effect of SDG reporting on performance in environmentally sensitive industries and controversial sectors, such as firearms, gambling, tobacco, and alcohol [9]. Based on the existing evidence, it is debatable whether the adoption of SDGs correlates to maximizing shareholder value. There is also a dearth of solid research regarding the connection between SDGs and the economic effects on businesses. Therefore, this study aims to discover whether the adoption of SDGs has an impact on firm performance and to add to the ongoing discussion about the SDGs’ applications for greater financial performance across different industries. The paper attempts explicitly to answer the following research questions:

RQ1. Is there any impact of SDG coverage on firm performance?

RQ2. What are the most widely implemented SDGs across industries?

Our research contributes to the body of knowledge regarding the importance of incorporating SDGs into business strategies for improved financial performance. This research will assist investors and government agencies in understanding the relationship between SDGs and firm performance in different industries, particularly in determining the effectiveness of sustainability decisions. In the medium and long term, SDGs may have the potential to improve financial performance and corporate reputation.

The paper is divided into five sections. Following the introduction, Section 2 discusses the Sustainable Development Goals (SDGs) and firm performance. Section 3 discusses the technique employed in this study; whereas Section 4 discusses the findings from content analysis. Finally, Section 5 concludes with recommendations for future research.

2. Literature Review

2.1. Sustainable Development Goals (SDGs)

The SDGs seek to enhance human dignity and prosperity while simultaneously safeguarding the planet’s fundamental biophysical processes and ecosystem services. They recognize that reducing poverty and inequality necessitates long-term economic growth, peace, and justice strategies, as well as strategies to address basic social needs such as education, health, social protection, and job opportunities—all while addressing climate change and improving environmental protection [13]. Table 1 presents the 17 United Nations Sustainable Development Goals for the 2030 Sustainable Development Agenda. These goals aim to eradicate poverty and other issues, ensure universal access to health and education, reduce inequality, promote economic growth, battle climate change, and preserve oceans and forests. This process is being actively participated in by all civil society organizations, academics, scientists, citizens, and public and private sectors worldwide.

According to a study conducted by Scheyvens et al. [14] the SDGs present a significant challenge to business actors. After considering both the potential for more sustainable and responsible practices and the limitations of change, they concluded that in the context of this new agenda, companies, governments, and civil society actors all have a common expectation to follow a more sustainable path. They also believe that the private sector has unique capabilities that may be exploited to help achieve the SDGs, such as innovation, responsiveness, efficiency, and the provision of specific skills and resources. A study conducted by Kumar et al. compared the Millennium Development Goals (MDG)
addendum with the Sustainable Development Goals (SDGs) and how one goal strengthens the other. They concluded that these goals seek to save lives and improve the quality of life of millions of people worldwide. At the same time, a continuation of the MDGs is extremely difficult to implement and monitor. According to Adams [15], the Sustainable Development Goals are a tool for maximizing and creating firm value and improving the impact of business operations on sustainable development. Easter et al. [16] contributed to the sustainability literature by explaining how actors develop resilience in their efforts to pursue sustainable development in non-responsive contexts. They discovered that actors used three coping mechanisms to maintain focus on their sustainability goals: community building, resourcefulness, and vision.

Table 1. The 17 Sustainable Development Goals (SDGs).

| SDG  | Objectives                                      |
|------|-----------------------------------------------|
| Goal 1 | No poverty                                  |
| Goal 2 | Zero hunger                                 |
| Goal 3 | Good health and well-being                   |
| Goal 4 | Quality education                            |
| Goal 5 | Gender equality                              |
| Goal 6 | Clean water and sanitation                   |
| Goal 7 | Affordable and clean energy                  |
| Goal 8 | Decent work and economic growth              |
| Goal 9 | Industry, innovation and infrastructure      |
| Goal 10 | Reduced inequalities                         |
| Goal 11 | Sustainable cities and communities           |
| Goal 12 | Responsible consumption and production       |
| Goal 13 | Climate action                               |
| Goal 14 | Life below water                             |
| Goal 15 | Life on land                                 |
| Goal 16 | Peace, justice, and strong institutions      |
| Goal 17 | Partnership for the goals                    |

Source: Authors own illustration based on the information on the UN website [17].

2.2. Sustainable Development Goals (SDGs) and Firm Performance

The role of an SDG’s practice on firm performance has seen a variety of research in the extant literature, with most studies showing a positive and sustainable outcome on sustainability practices. For example, after reviewing extant research on the relationship between sustainability practices and financial performance, Muhmad et al. [18] found that about 96% of the studies reported a positive relationship between sustainability practices and firms’ financial performance, particularly after adopting SDGs [9]. Similarly, Alshehhi et al. [19], after reviewing 132 journal articles to find the relationship between sustainable practices and firm performance, found that 78% of the studies showed a positive relationship. Furthermore, Izzo et al. [20] conducted a study to ascertain the extent to which SDGs are disclosed voluntarily in social disclosures and corporate sustainability reporting by Italian listed companies. The findings indicated that the business community is highly aware of SDGs and that the majority of highly traded, liquid, and highly capitalized Italian companies have included SDGs in their disclosure and story-telling practices, despite the fact that the SDGs’ precise nature and requirements, as well as the definitions of specific key performance indicators associated with those goals, remain unknown.

Others, on the other hand, found that the dilemma that firms face between creating value for their stakeholders and the global motive of creating value for society poses challenges to most firms and that, even though most studies show a positive association between sustainable practices and performance, there is a critical view of sustainability strategy implementation as a business plan that aims to influence perceptions rather than reduce environmental or social damage [21]. A study by García-Meca & Ferrero [9] revealed that, for most firms, information regarding SDG practices and reporting is still more symbolic than substantive, supporting the little impact SDG practices have on firm
performance and suggesting that firms usually engage in sustainability practices and reporting as a symbolic strategy to address legitimacy issues and respond to stakeholder pressure. They added that this is due to the struggle to reconcile between creating value for firms’ shareholders and complying with the global objective of creating value for society. The study further revealed that, in controversial and environmentally sensitive industries such as alcohol, gambling, tobacco, and firearms, SDG practices and reporting do play a substantive role and enhance firm performance, confirming that, for these firms, SDG practices and reporting allow them to become better and more transparent firms. Thus, only in the case of specific companies, SDG practices and reporting improve performance by reducing information asymmetry or enhancing their image and reputation.

3. Methodology

In order to evaluate the impact of SDGs on corporate performance, we looked at enterprises featured in Corporate Knights’ index (Global 100 Index) in 2020 [22]. This index comprises large corporations that play significant roles in society and the global market while optimizing long-term business value to meet the expectations of stakeholders. The companies on this list have been rated as having the most excellent corporate social performance practices globally based on their high CSR standards, adoption of cleaner production methods, and incorporation of corporate performance into their manufacturing process. Although the Corporate Knights’ Index includes 100 firms, the current study examined 21 firms from 6 industries. The remaining firms were excluded from the sample due to a lack of adequate data and time constraints. The selected sample consists of 12 firms from the banking industry, 3 firms from the insurance industry, 2 firms from the real estate investment and services sector, 2 firms from investment services, and 1 firm from petroleum refineries and technological consulting services. These firms originated from Finland, the Netherlands, Brazil, Norway, Ireland, France, Singapore, Italy, Australia, South Korea, Canada, South Africa, Germany, the United States, Sweden, and France.

Numerous reports can be utilized to assess the financial and SDG disclosure of globally listed firms. For example, the Annual Report (AR) is a mandatory instrument used to communicate the results of a firm’s economic activity to various categories of stakeholders [23]. The Sustainability Report (SR) is a document that discloses information about the firm’s financial performance and social and environmental information [24]. There are also some regulatory frameworks, such as the Global Reporting Initiative (GRI) framework [25], the PwC framework [26], and the International Integrated Reporting Council (IIRC) framework [27], which are available for SDG reporting. The data for the current study were gathered from the official websites of the firms, where we looked for Annual Reports and Sustainability Reports. The 2020 data on financial performance and SDG priorities of the firms were obtained from the annual and sustainable reports, respectively. Financial performance was measured using Return on Equity (ROE).

We employed the content analysis method on annual reports of companies to capture qualitative information on the SDG of selected firms. This technique is frequently employed in the extant literature [6,28]. The content analysis provides a thorough approach to assessing the documentation on SDG disclosure of the selected firms. Although some studies [28] employed content analysis to assess SDG reporting compliance, the current study used content analysis to examine the impact of SDGs on firm performance. We used search queries such as “Sustainable Development Goals”, “SDG”, “Return on Assets”, and ROE to obtain specific data needed for the analysis. Finally, we performed a regression analysis to determine whether there is a relationship between SDG coverage and financial performance (ROE). It is one of the widely used statistical techniques for evaluating the relationship between independent and dependent variables.

4. Results and Discussion

In our first model (see Table 2), we examined the effects of our control variables, namely, internationalization and the number of employees. Additionally, we created and
added a dummy bank variable since the majority of the firms we used are in the banking sector. An $R^2$ value of 0.287 was recorded, indicating that 28.7% of the variability in the outcome was accounted for by the control variables in the model. However, none of the controls were significant.

**Table 2. Regression results of ROE on SDG coverage.**

| Variables         | Model 1       | Model 2       |
|-------------------|---------------|---------------|
| Firm size         | 0.277 (0.716) | 0.222 (0.730) |
| Internationalization | 0.016 (0.070) | −0.016 (0.071) |
| Bank dummy        | −6.623 * (2.560) | −5.882 * (2.785) |
| SDG coverage      | −0.240 (0.327) |               |
| Constant          | 11.227 (6.291) | 13.814 (7.284) |
| $R^2$             | 0.287         | 0.310         |

Note: Standard errors are in parentheses (significance levels: * $p < 0.05$, two-tailed tests).

In Model 2 of our regression analysis, we added the independent variable (SDG coverage) to establish its relationship with financial performance (ROE). With an $R^2$ value of 31%, the model showed an insignificant relationship between SDG coverage and financial performance ($\beta = −0.24; p > 0.05$). These results show there is no effect of SDG reporting on firm performance. Hence, SDG coverage does not enhance firms’ financial performance. Therefore, in our contribution to the debate about the effects of SDG coverage on firm performance, this paper supports no significant impact of SDG coverage on financial performance.

Table 3 shows the SDGs of firms in our sample for the year 2020. The SDG coverage of firms in the sectors studied ranged from 3 to 16 (banks), 5 to 9 (insurance), 11 to 14 (real estate investment and services), and 5 to 15 (investment services). For banks, the most significant SDGs are 8 (decent work and economic growth) and 13 (climate action), whereas the least important SDGs are 2 (zero hunger) and 17 (partnership for the goals). These results indicate that the most sustainable banks in the world define their sustainability strategy by prioritizing SDGs 8 and 13. The banking sector has adopted 11 SDGs on average, accounting for 68 percent of all SDGs. The company in the banking sector with the highest number of SDGs has an ROE of 4.58 percent, while the company with the lowest number of SDGs has an ROE of 0.26 percent. The banking industry plays a critical role in achieving the 2030 agenda because of its potential to offer and redirect resources toward sustainable activities that contribute to SDG achievement [28]. Most banks are looking for ways to contribute to the global sustainable development agenda through their activities in order to achieve this goal. Banks prioritize SDGs where their financial activities will have the most significant impact rather than areas where their influence would be derived from their roles as employers or consumers of goods or services [29].

The three companies in the insurance industry consider SDG 13 (climate action) to be the most essential of all SDGs, but they pay no attention to SDGs 1 (no poverty), 2 (zero hunger), and 4 (quality education). The company with the highest ROE in the industry (14.40 percent) focuses on 5 SDGs, while the company with the lowest ROE (5.97 percent) focuses on 9 SDGs. In our dataset, the average number of SDGs adopted by insurance firms is 7. This accounts for 45 percent of all SDGs. The primary goal of insurance companies is to safeguard people and property, which is an essential component of long-term, resilient, and inclusive development. Unexpected shocks, such as the COVID-19 outbreak, can cause the development to be delayed. Some of the SDGs implemented by insurance companies have an important risk mitigation function, while others play an indirect and complementary role. As one of the world’s most prominent financiers, the insurance industry can encourage sustainable development, whether as an investor or a corporate citizen [30].
Table 3. The Sustainable Development Goals (SDGs) and Return on Equity (ROE) of the firms.

| Business Type | Company                                    | SDGs       | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | SDGs | ROE (%) |
|---------------|--------------------------------------------|-------------|------|------|------|------|------|------|------|------|------|------|------|---------|
| Bank          | ING Groep NV                               | *           | *    | *    | *    | *    |       |       |       |       |       |       |       | 4.58    |
|               | Banco do Brasil SA                         | * * * *     | * *  | * *  | * *  |       |       |       |       |       |       |       |       | 9.69    |
|               | BNP Paribas SA                             | * * * *     | * *  | * *  | * *  |       |       |       |       |       |       |       |       | 6.76    |
|               | Intesa Sanpaolo SpA                        | * * * * *    | * *  | * *  | * *  |       |       |       |       |       |       |       |       | 5.38    |
|               | National Australia Bank Ltd.               | *           | * *  | * *  | * *  |       |       |       |       |       |       |       |       | 10.4    |
|               | Shinhan Financial Group Co., Ltd.          | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Bank of Montreal                           | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Standard Bank Group Ltd.                  | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Commerzbank AG                            | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Comerica Incorporated                     | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Skandinaviska Enskilda Banken AB           | *           |       |       |       |       |       |       |       |       |       |       |       |         |
|               | Westpac Banking Corp                       | *           |       |       |       |       |       |       |       |       |       |       |       |         |
| Petroleum     | Neste Oyj                                  | * * *       |       |       |       |       |       |       |       |       |       |       |       | 12      |
| Refineries    | Storebrand ASA                             | *           |       |       |       |       |       |       |       |       |       |       |       | 8.6     |
| Insurance     | Assicurazioni Generali SpA                | *           |       |       |       |       |       |       |       |       |       |       |       | 5.97    |
|               | Sun Life Financial Inc                     | *           |       |       |       |       |       |       |       |       |       |       |       |         |
| Technology    | Accenture PLC                             | *           |       |       |       |       |       |       |       |       |       |       |       | 29.63   |
| Consulting    |                                          |             |      |      |      |      |      |      |      |      |      |      |      |         |
| Services      | City Developments Ltd.                    | *           |       |       |       |       |       |       |       |       |       |       |       |         |
| Real Estate   | Capitaland Limited                         | *           |       |       |       |       |       |       |       |       |       |       |       | 7       |
| Investment    | IGM Financial Inc                          | *           |       |       |       |       |       |       |       |       |       |       |       | 1879    |
| Services      | Amundi SA                                  | *           |       |       |       |       |       |       |       |       |       |       |       | 10.48   |

Note: Each star represents disclosure of SDGs (significance levels: * p < 0.05, two-tailed tests).

The two firms that appeared in the index under the real estate investment and services category prioritize SDG 3 (good health and well-being), SDG 4 (quality education), SDG 7 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 9 (industry innovation and infrastructure), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 17 (partnership for the goals). These firms adopted an average of 12 SDGs, which is 73% of all SDGs. The company in the real estate industry with the most SDGs (14) has an ROE of 20.50 percent, while the company with the fewest SDGs (11) has an ROE of 7 percent. There is a greater urgency than ever to address the world’s rising concerns. Individuals and businesses must act to provide a sustainable path for the Earth and society, as governments can no longer fight this battle alone [31]. This is not an easy process, so property owners, operators, and occupiers of real estate should consider the long-term consequences and connections with global concerns. The 2030 Agenda for Sustainable Development was unveiled to world leaders in 2015 to reduce inequality and combat climate change. Given that the real estate industry contributes to half of global revenue, 40% of primary energy consumption, and one-third of all human CO2 emissions, there is no doubt that it can help the world meet the SDGs [31]. Since the real estate industry is responsible primarily for asset production and management and is directly affected by the consequences of climate change, it is vital to emphasize that this industry must be a leader in the fight against environmental degradation.

The most relevant SDGs for the two firms that are listed under the investment services sector are SDGs 1 (no poverty), 5 (gender equality), 13 (climate action), 16 (peace, justice,
and strong institutions), and 17 (partnership for the goals). In contrast, SDGs 4 (quality education) and 11 (sustainable cities and communities) are not taken into consideration by these firms. The company with the highest number of SDGs (15) has an ROE of 10.48 percent, while the company with the lowest number of SDGs (5) has an ROE of 18.79 percent. The average number of SDGs adopted by investment services is 10, which is 59 percent of all SDGs. The SDGs are anticipated to cost between $90 trillion and $120 trillion by 2030 [32]. This indicates that the investment services sector will be important in reaching the SDGs. Investors can fund the SDGs in several ways. The 17 goals provide a valuable framework for firms in investment services to comprehend and analyze their contributions to long-term sustainability. Investment services firms should integrate SDGs into stakeholder engagement, goal development, impact monitoring, and collaborations.

The index includes only one firm from the petroleum refinery and one from technology consulting services. The petroleum refinery company is mainly focused on SDG 8 (economic development and decent work), SDG 9 (industry innovation and infrastructure), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 17 (partnership for the goals). It is a significant global sector with the potential to have both positive and negative effects on the SDGs’ target areas. The industry has a history of contributing to some of the issues that the SDGs seek to address, such as climate change and environmental degradation, population displacement, economic and social inequality, armed conflict, gender-based violence, tax evasion and corruption, increased risk of specific health problems, and human rights violations. In recent decades, the industry has made achievements to avoid, minimize, and manage these consequences. With adequate planning and implementation, the industry may still contribute to all SDGs by reducing adverse outcomes. They may continue to contribute to the SDGs, individually and in collaboration with governments, communities, civil society, and other partners.

The technology and consulting services firm is focused on SDG 5 (gender equality), SDG 8 (decent work and economic development), and SDG 12 (responsible consumption and production). The SDGs, which provide a consensus-based framework for human growth, require technology companies to play a critical role in expediting the process of achieving the SDGs. Technology can alleviate some of the obstacles that business decision-makers may face on a global level and assist them in achieving real change. It has the potential to contribute to the protection of the biosphere and the reversal of some of the adverse effects affecting it. Additionally, it can contribute to promoting equitable growth and long-term industrial sustainability. Connecting the disconnected and vulnerable in developing and developed countries to basic digital access for financial education and empowerment; leveraging machine learning and cloud computing power to accelerate drug and crop development; addressing issues such as poverty and hunger, disaster impact, education, and health; and using machines to transform agriculture, city utilities, and other areas are just a few of the possibilities [33]. The ability to more precisely monitor supply chains to increase transparency in manufacturing and optimize processes to improve productivity while reducing energy and material consumption and emissions are two significant opportunities that stand out. As agricultural, industrial, and manufacturing operations become more sophisticated and automated, opportunities to reduce emissions will increase. However, as automation advances, it may result in job displacement and a widening economic disparity between developed and developing nations. Similarly, increased device proliferation may increase emissions and e-waste due to extensive technological deployments. Continued inequitable access to technology, the spread of misinformation, and decreased system resilience without sufficient cybersecurity investment are all potential negative consequences.

Overall, the three most prioritized SDGs by the firms in the study sample are SDGs 13, 8, and 5, while the three least prioritized SDGs are SDGs 2, 6, and 14. All the SDGs interact with one another, forming a cohesive set of global priorities and goals that are naturally interconnected. Advancement in one area does not have to be at the expense of
advancement in another. The potential impact of these interactions is determined mainly by the policy and strategy options chosen by businesses. Successful governance processes, institutions, partnerships, and intellectual and financial resources are necessary for the effective, efficient, and cohesive implementation of all goals. Firms may choose to focus their efforts on a small set of goals that have the most impact. They can specifically focus on those more closely tied to their principal business.

5. Conclusions

There is growing recognition that firms must play a more proactive role in addressing the world’s biggest sustainable development challenges to build momentum and generate finance for social and environmental challenges. This study aimed to investigate the impact of the Sustainable Development Goals (SDGs) on firm performance using 21 firms from 6 industries that are included in the Corporate Knights’ Index. This study was driven by the necessity to demonstrate the SDGs’ applicability to firm policies. The SDGs have been described as a source for a transition to sustainable development. They help transform the visions of governments, entrepreneurs, and civil society in general towards lasting and prosperous shared action [34]. The content analysis approach was employed to extract financial and SDG information from the 2020 annual and sustainable reports of chosen firms. We analyzed the data using regression analysis. The findings indicate that all firms are committed to achieving the SDGs by 2030. The results also reveal that SDG coverage has no effect on firm performance. Although evidence shows that firms that perform well on environmental, social, and governance aspects have superior financial performance and create more value for their stakeholders in the long run [34], our study shows that firms do not attain tremendous success through SDGs. Additionally, the findings indicate that SDGs 13, 8, and 5 tend to be the most commonly adopted SDGs by businesses across different industries. However, SDGs 2, 6, and 14 were given less attention by the companies in the sample.

5.1. Contributions of the Study

This paper contributes to the literature in several ways. First, the impact of SDGs has not been extensively studied in previous studies. The contribution of this study extends the literature as SDGs are rapidly becoming the new paradigm for conducting business. Social, environmental, and governance theories such as stakeholder theory, legitimacy theory, and institutional theory are popular theories that motivate and drive SDGs. Second, firms can use these results to better understand the importance of implementing the SDGs in creating value and improving the well-being of people. Finally, the study indicates that firms play a crucial role in the betterment of their shareholders. Although the SDGs may not have a direct relationship with corporate performance for firms in some industries, they may give indirect advantages to the firms and stakeholders involved.

5.2. Limitations and Future Research Directions

The present study has some limitations that should be considered when approaching the topic and generalizing the findings. First, the sample size may have influenced the study results and, therefore, affected their generalizability for firms not included in the Knights’ Index. Some industries in the study sample contained 1 to 3 firms, and the comparison within each sector was based on the data available. Future studies could use a similar approach to analyze a larger sample size of a similar established index. Second, the study results are based on one-year data, which may not have fully reflected the impact of SDGs on firm performance. Therefore, a longitudinal study is recommended to arrive at more conclusive results and present the SDG influence on the evolution of firm performance over the years. Finally, this study focused only on the impact of SDGs on firm performance. There could be many other factors that also influence the firm’s performance.

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