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Business Sustainability and financial performance

La Sustentabilidad Empresarial y el desempeño financiero

* ***Maria Luisa Saavedra García***
Professor, Accounting and Administration Faculty, Universidad Nacional Autónoma de Mexico, Mexico
e-mail: lsaavedra@fca.unam.mx

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Abstract

Business sustainability is an issue that is becoming increasingly important in a context where organizations are more aware of their responsibility to society in terms of the use of the resources taken from society and the environment to generate economic wealth. This work aims to determine the importance of business sustainability the issues that underpin it by emphasizing its relationship with financial performance. A documentary review was carried out that allowed topics development: Business sustainability, Standards related to sustainability, Socially responsible funds, Sustainability reports, and Business sustainability and financial performance. It was found that sustainability has reached a fundamental relevance for financial performance, to such an extent that more and more sustainability indexes have been created, allowing stakeholders to evaluate the sustainable performance of companies and identify the socially responsible investments these companies emit. Corporate sustainability reports have been adopted voluntarily to publicize the sustainable actions carried out by these entities. These reports are constantly evolving and increasingly seek to align business strategy with social needs. Finally, it was found that empirical research shows a positive relationship between Business Sustainability and Financial Performance, thus showing the imperative need for companies to achieve financial sustainability.

Keywords: Sustainability; Finance, Profitability; Sustainable indexes; Sustainability reports.

Resumen

La sustentabilidad empresarial es un tema que cobra cada vez más importancia en un contexto en el cual las organizaciones son más conscientes de su responsabilidad ante la sociedad, en cuanto al uso de los recursos que toma de esta y del medioambiente para generar riqueza económica. El objetivo de este trabajo consistió en determinar la importancia de la sustentabilidad empresarial, los temas que la fundamentan haciendo énfasis en su relación con el desempeño financiero. Para lo cual se realizó una revisión documental que permitió desarrollar los temas: Sustentabilidad empresarial, Normas relacionadas con la sustentabilidad, Los fondos socialmente responsables, Informes de sustentabilidad y La sustentabilidad empresarial y el desempeño financiero. Se encontró que la sustentabilidad ha alcanzado una relevancia fundamental para el desempeño financiero, tal es así que cada vez más se han ido creando índices de sustentabilidad, que permiten a los grupos de interés evaluar el desempeño sustentable de las empresas e identificar las inversiones socialmente responsables, que emiten las mismas. En consonancia con esto, los informes de sostenibilidad empresarial, se han adoptado de manera voluntaria con el objetivo de dar a conocer las acciones sostenibles que realizan estos entes. Estos informes se encuentran en constante evolución y

* Public Accountant, Universidad San Martín de Porres, Peru, Doctor in Administration, UNAM, Mexico.

buscan cada vez más alinear la estrategia empresarial con las necesidades de la sociedad. Por último, se encontró que las investigaciones empíricas dan cuenta de una relación positiva entre la Sustentabilidad Empresarial y el Desempeño Financiero, mostrando así la imperativa necesidad de las empresas para alcanzar la sustentabilidad financiera.

Palabras Clave: Sustentabilidad; Finanzas, Rentabilidad; Índices sustentables; Informes de Sustentabilidad.

1. Introduction

The concepts of Corporate Social Responsibility (CSR) and Sustainability are sometimes used synonymously, even though they are not the same. They are related, but the main difference is the economic dimension. Sustainability has a broader conceptualization than CSR since it includes the elements of the Triple Bottom Line, TBL: people, planet, profit, while CSR does not explicitly consider the search for profitability. However, it should be clarified that for the TBL, the company is important for the economic value it can generate and the social and environmental value it can provide. Consequently, this concept is used as a tool to determine the company's performance from a sustainability perspective (Blázquez and Peretti, 2012; Hayatun and Rhamanti, 2012). The studies carried out to establish the moderating effect of CSR on the impact of profit management on financial performance are also relevant, determining its positive effect and therefore demonstrating the need to adopt CSR to achieve a better financial performance in companies (Chakroun and Ben Amar, 2022).

Hahn and Figge (2011) allude that a company must equally pursue social, environmental, and economic objectives to achieve benefits in the long term, allowing the company to achieve sustainable development through these. This fact is vital, significantly when affected by a world pandemic event caused by COVID-19, whose origin, according to many experts, is not clear. However, people agree that it is a wake-up call to care for the environment and even more to search for a sustainability-based economy. CSR reflects some changes contained in the sustainable development objectives, such as the creation of shared and integrated value and the continuous development of the social enterprise, along with the growing trend towards the B-corp (companies seeking a more inclusive and sustainable economy for all people and the planet), the emphasis on "purpose-driven businesses" and the rise of the "be the change" movement (Munro, 2020). With this idea in mind, Gatto (2020) refers that CSR is necessary as a meeting point between the needs of different areas and groups and as a source of competitive advantage in companies.

The value of Sustainable Development (SD) and its alignment with business strategy are gaining more and more relevance in companies. KPMG (2020) found in a study of Mexican companies that nine out of ten members of the Board of Directors believe that SD is a priority for objective achievement and, therefore, it should be incorporated into the business strategy. Despite being convinced of its importance, 70% declare that companies' development in Mexico is deficient, evidenced by only 31% having a budget assigned to this area and only 25 % presenting sustainability reports as a complement to financial information.

Even though 89% of senior management members and 65% of the human resources area, and 63% of the operations area are interested in the subject, only 52% of the financial area are aware of its importance. As a result, 73% of those surveyed include sustainability in their company's strategic planning process and performance indicators. However, of those who include sustainability, 48% partially consider a single factor: economic, environmental, or social. However, not all of them, coinciding with the studies carried out by Samier and Qian (2010), Lawrence, Collins, Pavlovich, and Arunachalam (2006), and Bercovich and López (2005), who state that entrepreneurs do not integrate all aspects of sustainability.

At a global level, a recent study carried out by CANVAS (2021) details that entrepreneurs consider that the central Sustainable Development Goals (SDGs) they contribute with are: quality education (30.10%), decent work and economic growth (30.10%), climate action (25.70%), alliances to achieve objectives (25.70%) and gender equality (23.90%), noting with this that companies are

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already beginning to integrate sustainability into their decisions, coinciding with the studies carried out by Remacha (2017), the United Nations Conference on Trade and Development (2020) and Aguilera, Aragón-Correa, Marano, and Tashman, (2021).

At this point, it is relevant to emphasize that a company's permanence largely depends on its sustainable performance, since numerous studies have shown that there is a positive relationship between this and financial performance, thus demonstrating the importance of the first to achieve the second (Mohammend, 2019; Amedu, Llemena, and Umaigba, 2019; Buchholz, 2020; Keskin, Dincer and Dincer, 2020; Mahmood, Qadeer, Saleem, Han and Ariza-Montes, 2021; Chakroun and Ben Amar, 2022; Wong and Ngai, 2021). Hence, the need for this research, whose aims are to determine the importance of business sustainability and the main issues supporting it, by emphasizing its relationship with financial sustainability.

This article contains the following sections: I. Business sustainability, including the ISO Standards related to sustainability, II. Socially responsible funds, III. Sustainability reports and IV. Business sustainability and financial performance. The discussion and conclusions are presented at the end.

2. Methodology

A documentary investigation was carried out, where data was collected from secondary sources of information published by international organizations such as Acción RSE, CANVAS, United Nations Conference on Trade and Development [UNCTAD], Global Standard Certification, International Organization for Standardization, World Business Council for Sustainable Development, among others. Previous research findings on the different topics of business sustainability were also reviewed and business sustainability and its relationship with financial performance. All the bibliographic material recovered was analyzed afterward, and the contents that allowed to present the most critical issues related to business sustainability were developed using the historical narrative method. Finally, a compendium of the main research to establish the relationship between business sustainability and financial performance was made.

3. Business Sustainability

The ILO (2013) states that "the company is the base and main source of growth and employment; since what promotes economic growth is, first and foremost, creativity and the hard work of employers and workers. Driven by the pursuit of profits, companies innovate, invest, and generate employment and income derived from work" p. 19. It points out the importance of their role in society, implying that they must seek to be sustainable by trying to be viable and profitable to prevail over time. Besides, it is essential to have a professional and efficient management and organization, trying to reconcile their goals with the SDGs, and becoming a way to achieve decent work, sustainable development and innovation, improving living standards and social conditions in the region.

Business sustainability is closely related to sustainable development, which has been defined as "... development that meets the needs of the present without compromising the ability of future generations to meet theirs" (Brundtland Report, 1987). This approach includes three dimensions of sustainability: environmental, social, and economic, directly addressing the issue of environmental damage that generally goes hand in hand with economic growth, which is opposed to the need to promote growth to reduce poverty. To avoid this controversy, organizations must be responsible when exploiting natural resources, so they are not permanently damaged or depleted but used in such a way that they can continue to be useful indefinitely. Currently, De Carvalho, Chim-Miki, Da Silva, and De Araujo (2019) refer that corporate sustainability implies incorporating sustainable development objectives into the company's operational practices by designing goals that seek to achieve equity social and economic efficiency and environmental performance. Therefore, it ensures that corporate sustainability makes companies' prosperity compatible with the standard of living of human beings.

In a broader context, the Brundtland

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report (1987) proposes that countries carry out population control, guaranteeing basic needs and standard of living, considering the conservation of biodiversity, reducing the consumption of fossil fuels, and promoting investment in renewable energy sources; thereby showing the direct relationship between sustainable development and quality of life. The preceding implies that countries make a real commitment to including the SDGs in all spheres of action, incorporating them into public policies and establishing control mechanisms for their compliance.

Pérez-Batres, Miller, and Pisani (2009) refer that global pressures drive regulatory actions towards legitimizing sustainable development initiatives at the company level, which constitute the moral basis for evaluating the legitimacy, specifying the roles, rights, and responsibilities of individuals in a society. These norms, values, or cultures can be imposed by others, creating stability in the social order to fulfill their roles. Meanwhile, local pressures influence mimetic responses, which can be better understood based on a combination or association effect. Companies are likely to follow other companies' actions, which they consider worthy and allegedly legitimate.

According to the above, institutional theory is the right approach to understand business sustainability initiatives since institutions reduce uncertainty by providing reliable and efficient frameworks for economic exchange, thus constituting a point of reference and informing society on its accepted standard practices, norms and values as a means of maintaining legitimacy (Vigneau, Humphreys, and Moon, 2015; Aguilera *et al.*, 2021). Pérez-Batres, Miller, and Pisani (2010), found in an empirical work carried out with a sample of 207 Latin American public companies that regulatory and mimetic aspects are important factors for these companies to adopt the presentation of Sustainability Reports. The companies related to European entities or on the New York Stock Exchange were twice as likely to adopt these reports as those that did not present these characteristics. Likewise, Pérez-Batres, Miller, Pisani, Henriques, and Renau-Sepulveda (2014) revealed in an analysis of 448 local and foreign companies operating in Mexico that the companies grouped among the most polluting industries and those adhered to sustainability programs of international organizations are more likely to adopt the Mexican clean industry program and become certified in this matter. On the other hand, it was found that companies located on the northern border, that is, adjacent to the United States, show a greater probability of adhering to the clean industry program. These findings allow us to infer that, although they act in compliance with regulations and their customer's and suppliers' demands, the internationalization of companies also drives the adoption of sustainable practices.

Wong and Ngai (2021) allude that the capacity for sustainability in companies is conceptualized through three components: organizational competence in terms of social welfare and management competence; environmental competence in terms of the application of the five Rs (repair, redesign, recycle, reuse and reduce), and economic competence, in terms of market-driven competition and innovation. Sustainable business management must meet the stakeholders' requirements in different economic, environmental, and organizational aspects. The stakeholder theory is a fundamental conceptual approach that emphasizes the links between society and business and maximizes value for interacting stakeholders. By building sustainable relationships with stakeholders outside and within the company and coordinating them to achieve business sustainability goals, companies can achieve an excellent shared business vision.

Business sustainability must be incorporated into companies from the beginning. Researchers on the subject have found that the driving forces of sustainability incorporation in business models of new entrepreneurs are: first, the motivation to create social value, and second, the achievement of environmental sustainability as a strategy to differentiate themselves from competitors (Glinik, Rachinger, Ropposch, Ratz and Rauter, 2021). Cosenz, Picanço, and Rosati (2020) consider that a sustainable business model should be designed considering that the organization operates to achieve both sustainability and viability objectives. Therefore, the elements to consider are: (a) key stakeholders, (b)

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Table 1. ISO standards related to sustainability

Standard	Description
ISO 9001 Quality	The ISO 9001 standards establish quality issues parameters, requirements, and guidelines.
ISO 9004 Sustained Business Success	Sustained success can be achieved by meeting the needs and expectations of stakeholders harmoniously and in the long term.
ISO 14001 Environment	Establishes bases for an environmental carer to affect it as little as possible and increase their competitiveness.
ISO 26000 Social Responsibility Global Standard Certification (2010)	Addresses seven core themes: Human Rights, Labor Practices, Environment, Fair Operating Practices, Consumer Advocacy, Organizational Governance, and Community Development.
ISO 50001 Energy	Promotes the best energy management practices by implementing new technologies that allow the efficient use of energy throughout the supply chain.
ISO 31000 Risks	Establishes guidelines to manage any risk in companies effectively.
ISO 27001 Information Security	Methodology to implement the organization's information security management system to protect the confidentiality, integrity, and availability of information by researching possible risks, evaluating them, and implementing security measures such as policies, procedures, and software
ISO 45001 Occupational Health and Safety	Promotes and protects workers' physical and mental health and people who may be affected by the activities carried out at work through a frame of reference that manages the risks and areas of opportunity of Occupational Health and Safety (SST).
ISO 37001 Bribery Prevention	Specifies a series of measures to prevent, detect, and avoid bribery by promoting an anti-bribery culture.
ISO 37120 Sustainable Cities and Communities	Seeks to reach consensus on sustainable development in communities, to reduce resistance to strategies, programs, or plans in the territory, mainly guaranteeing access to safe and affordable housing and improving marginal settlements.
ISO 20887:2020 Sustainable Construction	Promotes designs for present and future use, encouraging urban developments that contribute to sustainable construction.

Source: Author own elaboration based on the cited standards.

strategic resources, (c) value proposition (value-driving forces, products, and results to create social, economic, and environmental value), (d) key processes, (e) customer segments, (f) costs structure, and (g) revenue flows.

Finally, Gatto (2020) states that a new business sustainability theory has been born based on the "Responsibility rate," which has its roots in economics ethics and can integrate human and local development with sustainability theories. At this point, the emerging challenge is to link human, local, and sustainable development, which means locating sustainable human development towards a new, fungible, and people-centered territorial perspective. To this end, the environment and the governance of resources roles become essential for intergenerational well-being. This position requires resilient thinking destined to address the vulnerability, with learning systems that generate capacity for adaptation and mitigation in the face of change.

3.1. ISO standards related to Business sustainability

Business sustainability relationship with the efficiency and effectiveness of long-term management is subject to measures that guarantee certification or standardization. This task is carried out by the International Organization for Standardization (ISO) standards. Among these standards, many are considered necessary to establish whether or not a process or a product conforms to sustainability principles (Gatto, 2020).

The (ISO) standards specify the procedures companies must follow to implement a process approach that manages their activities towards continuous improvement. These standards are used on a mandatory basis for companies seeking to achieve a sustainability badge.

Table 1 shows the main ISO standards that address issues directly related to corporate sustainability, cover aspects such as quality and the parameters of success,

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environmental care and competitiveness, corporate social responsibility, efficient use of energy, risk management, information security, occupational health, and safety, bribery prevention, sustainable cities, and communities, as well as sustainable construction. All these standards imply a significant advance for the orientation of companies and other organizations since they specify the aspects they must consider, from their creation and expansion process to their consolidation, so they can achieve their sustainable development and permeate these benefits to the entire society in which they are inserted.

3.2. Socially Responsible Funds

In the early 1970s, “ethical” or “responsible” funds that avoided investment in unreliable industries appeared in the US. They looked for economic and social returns on investments consistent with ethical and fair principles. Over the years, these funds, which were initially seen as a temporary phenomenon, gradually reached significant importance. The Social Investment Forum (2020) estimates that a high proportion of funds are in the hands of investors who considered at least one aspect: environmental, social, or ethical in the US. Therefore, at the end of 2019, these funds amounted to 2.5 trillion dollars, and the holders were companies and institutional investors. This type of investment is growing since the leading world financial institutions have these responsible bonds in their investment portfolios (Martínez 2007, Ortas, Moneva, Burritt, and Tingey-Holyoak, 2014).

Research carried out by Goodsell (2019) about responsible funds investment (ESG, environmental, social, and governance) states that 67% of investment fund specialists believe that this type of investment will be standard practice for all managers in the next five years. Likewise, 56% are convinced that this fund helps mitigate risk. 66% of professional fund buyers report that their companies integrate ESG funds into their offer to clients. One in five say ESG can help minimize overall risk (22%) and generate high long-term risk-adjusted returns (21%), and also benefit from new sources of diversification (19%).

According to the Principles for Responsible Investment, PRI (2019), responsible funds promote sustainability in the search to consolidate the foundations that promote flourishing and inclusive societies for current and future generations. Ortas *et al.* (2014) refer to them as a competitive factor, as stock market analysts better value them. Therefore, it is necessary to implement a sustainable global financial system that financially rewards its users and benefits the environment and society. This fact is how the PRI, in agreement with the United Nations (UN) through the UN Global Compact and the Financial Initiative of the United Nations Environment Program (UNEP), has established internationally recognized principles for responsible investment, which are of voluntary adoption, but at the same time attractive for those who apply them. They can be adopted in organizations that could be managing assets for $50,000 million US dollars or a service company with less than ten employees, to show society its adherence to responsible investment, thus becoming part of the world community that strives to generate a practical change to achieve a better world for all (PRI, 2019).

Investment in responsible funds has been increasingly growing, considering the 2006 report where the number of total assets was 5 trillion dollars until 2020 when this amount added up to more than a hundred trillion dollars, and all this based on the recognition in the financial community where Environmental, Social and Corporate Governance factors play a fundamental role when carrying out the risk-return assessment of securities (PRI, 2019). Therefore, the United Nations Conference on Trade and Development (2020) declares that capital markets will significantly expand their products’ sustainability offer in the next ten years. Likewise, Lloret (2016) points out that the practice of choosing investment alternatives based on environmental, social, and ethical aspects opens a new front in the analysis of companies’ competitiveness in the market.

On the other hand, the reasons why companies decide to join these sustainability indexes in the stock markets are based on the institutional theory, and companies perceive that it is worth going green, as well

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as the intangible value created by voluntary environmental initiatives, such as access to knowledge, new capabilities, and high reputation. All this can better explain the efforts of such companies to be classified in these indexes (Orsato, Garcia, Mendes-Da-Silva, Simonetti, and Monzoni, 2015).

As sustainable investment has increasingly evolved worldwide, more and more indexes have been established for these investments, as Table 2 shows. The first index was launched in 1988 and covered the environmental, social, and corporate governance criteria. The evolution shows the progress that complements the historical indexes; the most recent index appears in 2017 and considers the economic, social, and environmental criteria.

Table 2. Rates of socially responsible investment

Índex	Market launch	Criteria
KLD Global Sustainability (England)	1988	Environmental Social Corporate governance
Ethibel Sustainability Index (ESI) (Belgium)	1992	Policies: internal social; environmental; external social; ethical-economic
DJSI Dow Jones Sustainability Indexes (United States)	1999	Economic Environmental Social Currently 316 companies
FTSE4Good Financial times stock Exchange for good index series. (England) The following are derived from this: FTSE4Good Global Index FTSE4Good Global 100 Index FTSE4Good USA Index FTSE4Good USA 100 Index FTSE4Good Europe Index FTSE4Good Europe 50 Index FTSE4Good UK Index FTSE4Good UK 50 Index FTSE4Good Australia Index FTSE4Good Australia 30 Index FTSE4Good Japan Index FTSE4Good Emerging Markets Index FTSE4Good ASEAN 5 Index FTSE4Good Emerging Latin America Index FTSE4Good ASEAN 5 Index FTSE4Good IBEX Index FTSE4Good Global Minimum Variance Index FTSE4Good Bursa Malaysia Index	2001	Policies: anti-bribery; human rights; social and stakeholder rights; environmental; labor supply chain standards. Currently 275 companies
ISE Business sustainability index of BOVESPA Brazil	2005	Economic Financial Social Environmental
MSCI ESG (International private consulting)	2010	Pillars: Environmental, social and governance

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Sustainability Index of the Mexican Stock Exchange Mexico	2011	Environmental Social Corporate governance
Euronext Viegeo Eiris From which they emerge: Europe 120 Eurozone 120 US 50 France 20 Uk 20 Benelux 20	2012	Environment Community involvement Business performance Human rights Governance Human Resources
Dow Jones Sustainability Chile Index (DJSI Chile)	2016	Economical Social Environmental
Dow Jones Sustainability MILA Pacific Alliance Index MILA	2017	Economical Social Environmental
Source: Gesoc (2011); Deloitte (2011); S&P (2015), S&P (2022).		

According to the Sustainable Stock Exchanges Initiative (2018), since October 2017, all the indexes related to climate change from the Financial Times Stock Exchange have shown more significant growth than their benchmark indexes during the last five years. Likewise, in the context of a pandemic (the year 2020), 81% of the sustainable indexes have had a better annual performance than their counterparts of unsustainable indexes (BlackRock, 2020), which implies the attractiveness and importance that these values are gaining in the world's stock markets.

On the other hand, some of these sustainability indexes do not include companies that offer products or services that could be considered harmful to society and the environment, which implies that the creation of indexes is sought with companies that fully cover the sustainable profile. Likewise, the World Business Council for Sustainable Development (2018) refers that CFOs may require social impact evaluations on new investments, quantify the generation of commercial value from the social impact and promote that all investment decisions in all levels of the companies are taken by evaluating the social impact. Therefore, its role is fundamental to mobilize this new market for sustainable investments, allowing companies to create sustainable value now and in the future.

4. Sustainability Reports

Ortas and Moneva (2011) refer to the first approaches to sustainability reports called "3 P": people, planet, profits, constituting with these three factors the "Social and Environmental Reports" disclosed by the Anglo-Dutch company Shell in 2000. However, until the end of the 20th century, they were systematized to show how companies carried out social and environmental management.

Ortas and Moneva (2011) allude that sustainability reports have been analyzed from two theoretical approaches. The first is the economic approach, which explains these reports according to the neoclassical theory, taking into consideration: a) the utility theory for decision making, which states that investors analyze social and environmental reports to make investment decisions, that is, they take positions in the market according to the perception of the socially responsible behavior of companies; and b) the agency theory. The second is the socio-political approach to sustainability reports, which is based on three theoretical approaches: the first corresponds to the Economic Theory

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(ET), the second to the Legitimacy Theory (LT), which shows that organizations present sustainability reports to be accepted by society, thus considering these reports as a communication mechanism to influence the company's image, and the third, the Stakeholders Theory (ST), which focuses on the responsibility of organizations.

In 1997, the Elkington "Triple income statement" appeared, which argues that a company must show its social responsibility considering the economic, social, and environmental aspects. This issue is due to evidence indicating that traditional financial statements did not incorporate all the factors influencing long-term value creation. A large portion of this value is directly related to companies' environmental, social, and human management. Therefore, corporate reports must incorporate these aspects in addition to traditional financial statements to include the measurement and presentation of sustainability reports that lead to a better understanding of potential risks and opportunities for decision-makers. (Mohammed, 2019). According to Hindley and Buys (2012), business reporting boils down to the fundamental principle of the endless search for effective communication.

A sustainability report, as defined by the Global Reporting Initiative (GRI), is a report published by a company or organization on the economic, environmental, and social impacts as a consequence of carrying out activities inherent to its operation. The sustainability report includes the company's values, governance model, and approach towards creating a sustainable global economy, and, like financial reports, it can also influence investors' decisions (Whetman, 2017). A sustainability report is how companies communicate to stakeholders, shareholders, customers, suppliers, government, and others, about their economic, social, and environmental activities, since reporting only financial aspects no longer satisfies the exceptions of these (Hughen, Luiseged, and Upton, 2014).

Regarding its content, Diantimala (2018), citing Dienes *et al.* (2016), refers that sustainability reports have seven edges: company size, profitability, capital structure, media, corporate governance structure, ownership structure, age of the company. The financial performance indicators with which they are commonly related are the size, where total assets are generally used; profitability indicators such as ROA, ROE, among others; the indicators for the capital structure, which consider the book value of debt to book value of capital (DER ratio) and the book value of debt to total assets (leverage ratio).

The historical evolution of the sustainability reports can be seen in Table 3, where it is shown that the first report appeared in the 70s, considering aspects of both the audit and social balance. Little by little, as the demands of changes in the environment become increasingly complex, the reports are complemented to adopt most of the business sustainability factors as shown in the report based on the UNE 165010 Standard of 2009.

The Global Reporting Initiative (GRI) was created in 1997, with the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP) supporting to create of a common global framework for voluntary information on the economic, social and environmental impact of companies and other organizations.

Vigneau *et al.* (2015) argue that the proliferation of international sustainability standards has caused a high degree of confusion, which is why the GRI has positioned itself in a dominant place in this field, becoming the most used standard for reporting currently. One of the GRI's main contributions is its stakeholder approach, which includes a wide range of stakeholders from the business, NGO, academic, and government sectors, institutionalizing the discussion of multiple stakeholders on reporting and, more broadly, on accountability. However, there is an unequal representation of companies in the GRI since it is more followed by multinational companies from developed western countries and the leading accounting firms and large consulting firms, with the participation of NGOs and small and medium-sized companies being little visible.

The presentation of sustainability reports is relatively new in the Latin American region since Correa, Flynn, and Amit (2004)

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Table 3. Evolution of sustainability reports

Period	Report	Characteristics
The 1970s	Social Audit	Financial report on environmental impact
	Social Balance	Information on aspects of interest to organization representatives
Sullivan Global Principles 1977	First introduced in November 1999. They were developed by Reverend Leon Sullivan, where he established a code of conduct based on human rights, promoting equal opportunities for organizations in South Africa.	• Express support for universal human rights • Promote equal opportunities for all workers and fair wages • Support the free association of workers who wish so • Remunerate their workers with a fair and sufficient salary • Promote a safe and healthy workplace • Promote fair competition while respecting intellectual property • Work with governments and society to improve the quality of life • Promote the application of these principles with all entities related to the company.
The 1980s	Social and Environmental Data	Data provided in financial entities reports
The Caux round table (CRT, Caux round table) 1986	It is a commitment by business leaders in Europe, Japan, and North America to promote ethical business practices.	• Respect stakeholders, not just shareholders. • Contribute to economic and social development • Build trust beyond the laws • Respect for rules and conventions • Support for responsible globalization • Respect for the environment • Avoid illegal activities
The 90s	Environmental reports	Reports derived from the implementation of environmental management systems
	Financial Environmental Reports	Accounting standards applied to environmental aspects
Ibase 1997	Created by the sociologist Herbert de Souza in 1997. Brazilian Institute of Social and Economic Analysis.	• Internal social indicators (benefits for employees). • Projects, actions, and contributions to society. • Labor force indicators. • Qualification of the workforce. • Relevant information regarding ethics, transparency, and social responsibility.
AA 1000 Accountability 1000 1999	Released in 1999 by the Institute of Social and Ethical Accountability.	• Principle of Accountability • Assurance standard • Stakeholder engagement standard • Transparency, quality, and impartiality in the planning, execution, and verification of reports.
2000 to 2010	Social and Environmental Reports	Reports that include the economic, social, and environmental dimensions of the organizations
United Nations Global Compact 1999-2000	Disclosed at the World Economic Forum in Davos (Switzerland), in January 1999. Its formal launch was in September 2000	• Human rights • Labor standards • Environment • Fight against corruption

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OECD Guidelines for Business Multinationals 2000	The governments of the countries that make up the OECD have designed a set of guidelines that multinational companies operating in their territories must adhere to. They are attached to internationally established laws.	• Contribute to economic, social, and environmental development. • Abide by human rights • Promote the acquisition of local capacities • Train competent human capital • Do not carry out or participate in acts of corruption • Develop and apply good corporate governance practices • Self-disciplinary practices and effective management systems • Dissemination of business policies • Do not discriminate or discipline those employees who report practices that are contrary to the law. • Encourage business partners • Refrain from participating improperly in local political activities.
Standard SGE 21 2008	Developed by Forética, which is an Association of companies and professionals of corporate social responsibility in Spain, to evaluate the ethical and socially responsible management system of companies.	• Senior management • Consumers • Suppliers and supply chain • Interest groups • Human capital • Society • Environment • Investors • Competence • Public administrations
Social Accountability 8000 (SA8000) SAI (2008)	Standard that covers the main international conventions on labor law, trying to attack issues of social and human rights.	• Fight child labor • Fight forced or compulsory labor • Ensure occupational health and safety • Right to associate and negotiate through unions • Eliminate discrimination • Conduct fair disciplinary practices • Respect working hours • Fair and equitable remuneration • Management system
UNE Standard 165010 EX AENOR 2009	Developed by the Spanish Association for Standardization, as a guide that presents the criteria to implement and improve Corporate Social Responsibility in companies.	Company's behavior before: • Shareholders and investors • Workers • Users and consumers • Suppliers of goods or services • Alliances or collaboration agreements • Competitors • Governance • Social context • Environmental context

Source: Author own elaboration based on Acción RSE (2007), Accountability (2008), Serna (2010), AENOR (2009)), SAI (2008), Saavedra (2011) and Ortas & Moneva (2011), OCDE (2013).

refer that in 2003, only six companies had published sustainability reports, following the GRI guidelines. However, this is an issue that has shown an increasingly growing trend. According to Acevedo and Piñeiros (2019), Brazil has the most companies presenting sustainability reports, followed by Colombia, with the slightest presence in

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Table 4. Evolution of the GRI Report

Year	Event	Relevant Aspects
1997	Constitution of the Global Reporting Initiative (GRI) by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP)	Develop a globally applicable framework for sustainability reporting Beginning of conceptual projects
1999	Presentation of the first draft of the guide for preparing reports based on the GRI	Execution test with 31 companies, including major multinationals like Bayer, General Motors, and Shell, among others
2000	First guide for the preparation of the GRI report	Dissemination of the report and ratification for leading companies Basic conceptualization of the main elements of financial information
2002	Second guide for the preparation of the GRI report	It was widely accepted by companies and their stakeholders Accountability is the central axis of its conceptual framework
2004	GRI becomes an entity located in Amsterdam	Increase in entities that provide sustainability reports, marking the need to establish a new structure
2005	Works for report guidelines review of GRI, G2	Proposals for modifications based on differentiating between "management approach" and "performance indicators."
2006	Third guide for the preparation of the GRI report (G3) Emphasizes the importance of reports, their comparability and evaluation, and how they are performance-oriented.	Economic and environmental performance indicators Social Performance: Labor practices and decent work; human rights; society; product liability
2013	Fourth guide for the preparation of the GRI report 4 (G4) Seeks to achieve that the preparation of the sustainability report becomes a strategic matter and not just an instrument to communicate.	Determines the level of Social, Economic, and Environmental sustainability. It seeks to focus on the fundamental aspects of their activity and their stakeholders. Thus, seeking to promote more relevant, credible, and user-friendly reports.

Source: Author own elaboration based on Ortas and Moneva (2011), Global Reporting Initiative (2011), Global Reporting Initiative (2013), and Rodríguez & Ríos (2016).

Chile, Argentina, and Mexico. On the other hand, in the European Union, the company information directive on sustainability is applied to all companies with 500 or more employees and SMEs listed on the stock exchange (European Commission, 2021). In Europe, 96% of the companies belonging to indexes publish sustainability reports, and United States, 86% of the companies in the S&P do so.

Hindley and Buys (2012) refer that GRI reports indicate a company's commitment to sustainable development and allow its users to compare its performance over time and measure its adherence to the laws, standards, principles applicable to voluntary initiatives.

Rodríguez and Ríos (2016) argue that the purpose of the GRI methodology is to provide a guideline so that the disclosure of a company's information on sustainability aspects is carried out with homogeneous criteria that can be easily comparable. This aspect helps these entities understand and communicate to stakeholders the impact their investments and decisions generate on sustainability issues such as climate change, human rights, corruption, gender equity, and transparency. In Table 4, the historical evolution of the GRI report, indicating the year, the event that originated it, and its relevant aspects: in 1997, environmental aspects are generally considered. The approach is broadened as time passes to

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incorporate aspects of social, economic, and environmental sustainability, as shown in the content of GRI 4.

The latest GRI 4 report highlights homogenization with other sustainability reporting systems (for example, ISO 26000, OECD, Global Compact, among others) and the availability of supporting data; which means no more reports for each entity, agreeing with Vigneau *et al.* (2015), who suggest that the GRI promotes the standardization of reports, enabling a standardized approach to CSR management focused on reports. Additionally, the current GRI guidelines allow companies to construct meanings of compliance and respond strategically to the standard's requirements.

Vigneau *et al.* (2015) refer that the standards provide a kind of self-regulation since companies voluntarily adopt standards beyond government regulation that often differ from codes of conduct developed from multiple stakeholder initiatives.

Bansal, Grewatsch, and Sharma (2021) refer to important aspects that should be considered in sustainability reports. After the lessons left by the COVID 19 pandemic, companies must recognize their growth limits, the alternative temporalities that do not confront the short against the long term, the nesting of local phenomena in global systems, and influence points that can reduce the entrenched systems of inequalities. Therefore, making it possible for these reports to be subject to revision and adaptations according to the new reality.

5. Business Sustainability and financial performance

Business sustainability is closely related to financial sustainability, and the latter can be measured with financial performance. This section summarizes the primary research related to these two constructs.

This aspect is based on what Blázquez and Peretti (2012) point out: sustainability is conditioned by economic profitability driven and sustained by image. They also state that to be sustainable, companies should seek to maximize profitability, optimizing their resources to balance social, environmental, and economic aspects and achieve the objectives set for each of these.

Shih-Fang and Her-Jiun (2007) analyzed the impact of corporate sustainability on the company's market value with data from non-financial US companies from 1999 to 2002. The result showed that the most sustainable companies show a higher market value, using Tobin's Q value. This fact implies that the market rewards companies for incorporating economic, social, and environmental aspects into their development strategy.

A partial finding was obtained by Burhan and Rhamanti (2012), who worked with 32 companies listed on the Indonesian stock exchange. By taking data from 2006-2009, they found that reports on economic and environmental performance do not influence the company's profitability, while the reports on social performance do influence its profitability.

Lee and Pati (2012) analyzed a sample of 196 companies, from 12 different service-oriented industries and three main countries (the United States, the European Economic Community, and another group of countries), which were selected according to the availability of the Pacific Sustainable Index (PSI), for the 2006-2009 period. The findings showed a strong relationship between PSI and performance as measured by return on investment, sales, market value, sustained growth rate, and Tobin's Q indicators, except with the return on equity indicator.

Whetman (2017) also established a positive and significant relationship between sustainability reports and return on capital, return on assets, and profit margin with data from 95 American companies listed on the stock market in the year following the presentation of the sustainability report based on GRI.

In another research, Diantimala (2018) analyzed a sample of companies from the Jakarta Islamic Index (JII) for the 2013-2015 period, relating sustainability reports with liquidity and the company's value, corroborating a significant relationship. However, no relationship was found with leverage, profitability, and company size.

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Laskar (2018), in an analysis of 111 companies from four countries (Japan, India, South Korea, and Indonesia), from 2009 to 2014; shows that the average level of disclosure is higher in the case of companies in Japan (90%), followed by India (88%), South Korea (85%) and Indonesia (72%). Likewise, the results show a significant positive association between sustainability reports and company performance and a relative impact on company performance, which is more relevant in developed countries than in developing countries.

Swarnapali and Le (2018) collected data from 220 companies from the Sri Lanka Stock Exchange for four years, verifying a positive relationship between sustainability reports and Tobin's Q, corroborating that investors in the market reward companies concerned about taking social and environmental actions responsibly.

Mohammend (2020) worked with a sample of 221 companies listed in the Egyptian stock market, finding that sustainability practices are associated with high market values and returns on capital compared to companies that have not implemented these practices yet. It also showed that dividends paid in cash to shareholders are higher for sustainable companies.

Therefore, Amedu *et al.* (2019) argue that financial information is not solely responsible for the value of a company's shares and changes in their prices. Hence, additional information has implications for corporate value, especially concerning sustainability reports. Studies have shown that the market, the environmental strategy, and performance are considered when evaluating capital investments. Analysts use sustainability reports to make recommendations for buying or selling securities. Table 5 below presents the primary studies that have been conducted to establish the relationship between sustainability reporting and financial performance. The sustainability measured by different indexes is shown according to the context in which the research is carried out, as well as, the financial performance measures used in the research are diverse, the most used being Tobin's Q, ROA (Return on Assets), ROE (Return on Equity), EVA (Economic Value Added) and MVA (Market Added Value), among the main ones.

Table 5. Relationship between the Sustainability Index and financial performance / Company value

Author/Year/Country	Sustainability index	Financial Performance Variables	Findings
Shih-Fang and Her-Jiun (2007) USA	DJSCI Index USA: Economic, Environment, and Social	Tobin's Q, sales growth, investment growth, dividends, total assets, indebtedness, ROA (Return on Assets), diversification, and credit rating	Positive relationship with Tobin's Q and sales growth Significant negative relationship of Tobin's Q with size and diversification; positive relationship with growth in sales, with ROA and credit quality.
Moneva and Ortas (2008) Europe	Global Report Initiative	Stock performance	Non-significant relationship
Buys, Oberholzer and Andrikopoulos (2011) South Africa	Global Report Initiative	ROA (Return on Assets), ROE (Return on Equity), EVA (Economic Value Added), and MVA (Market Value Added)	Slightly positive, but not significant
Oeyono, Samy, and Bampton (2011) Indonesia	Global Report Initiative	Earnings before interest, taxes, depreciation, and amortization (EBITDA), and earnings per share (EPS)	There is a positive relationship between CSR and profitability, though weak (18% for EBITDA and 16% for EPS).

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Ameer and Othman (2012) Developed countries	Indexes: Environment, Diversity, Community, and Ethics	Growth in sales (SRG), ROA, Profit Before Tax (PBT), and Operating Cash Flow (OCF)	Significant positive relationship of all variables
Bayoud, Kavanagh, and Slaughter (2012) Libya	Indexes: Environment, Consumers, Community Involvement, Employees	ROA, Income, ROE	Significant positive relationship of all variables
Eccles, Ioannou, and Serafeim (2012) USA	ESG social, environmental, and governance factors.	Stock return, ROA and ROE	Significant positive relationship of all variables
Burhan and Rahmanti (2012) Indonesia	Global Report Initiative	ROA	The economic and environmental indicators are not related to ROA Social indicators are related to ROA
Venanzi (2012) Europe	Social indicators in the community, Corporate governance, Clients, Employees, Environment, Suppliers, Ethics, and Controversies	ROE, ROA, ROS	Non-significant
Lee and Pati (2012) Developed countries	PSI Pacific Sustainable Index	ROA, ROS, Market value, Growth rate, Tobin's Q, ROE	Positive significant relationship with ROA, ROS, Market value, Growth rate, Tobin's Q
Aggarwal (2013) India	Global Report Initiative	ROE, Profit before taxes (PBT), Growth of total assets (GTA), ROA, and Return on capital employed (ROCE)	Significant positive relationship with ROA, PBT, and GTA A significant negative relationship between ROE and ROCE
Lourenço and Castelo (2013) Brazil	Bovespa Corporate Sustainability Index	ROE, the concentration of ownership, leverage, size (total assets)	Higher ROE and lower concentration of ownership and lower leverage in sustainable companies.
Whetman (2017) USA	Global Report Initiative	ROE, ROA, Net profit	Positive significant relationship
Weber (2017) China (Bank sector)	Global Report Initiative	Assets, net income, ROE, ROA, customer delinquency	Positive, significant relationship, except customer delinquencies.
Goel and Misra (2017) India	Global Report Initiative	Tobin's Q, Price/Value in Books, Price/Profit, ROE, ROA, ROCE	The relationship between financial performance and the sustainability score was inconsistent across the different financial measures.
Diantimala (2018) Indonesia	Global Report Initiative	Leverage, liquidity, ROE, size (total assets) Tobin's Q = company value	A significant positive relationship between company value and sustainability Significant positive relationship of company value with leverage and ROE
Laskar (2018) Oriental countries	Global Report Initiative	Leverage, Size = Market Cap, Performance = MBR = Market Value / Book Value	A significant positive relationship between company performance and sustainability
Swarnapali and Le (2018) Sri Lanka	Sustainability reports (free)	Tobin's Q, Leverage, Total Assets, ROE, Sales Growth	Significant positive relationship with all variables

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Soytas, Denizel and Usar (2016) North American Oil Companies	Sustainability and Corporate Social Responsibility Index (CSRHub)	ROE, ROA, ROS, EBIT, Cash Flow, Tobin's Q, Company size (Number of employees, asset and market value)	Financial performance is positively related to sustainability
Mohammend, (2019) Egypt	Sustainable Index of the Egyptian Stock Exchange (EGX / ESG)	The market value of capital Return on capital Cash dividends	Market value, return on equity, and cash dividends are higher for companies that belong to the sustainable index.
Amedu, Llemena, and Umaigba (2019) Nigeria	Global Report Initiative	Market value Leverage	Market value is related to economic sustainability, not to social and environmental sustainability.
Mukherjee and Nuñez (2019) India	Global Report Initiative	Financial Ratios, Sharpe Ratio	High-risk companies experience a more significant relationship between the adopted GRI level and financial performance.
De Carvalho, Chim-Miki, Da Silva and De Araujo (2019) Brazil	Corporate Sustainability Index (ISE) BMFBOVESPA	Indebtedness, Liquidity, Sales growth, Asset turnover	Sustainability actions improve the competitiveness of the company, positively influencing financial indicators.
Keskin et al. (2020) Turkey	Sustainable Index of the Istanbul Stock Exchange (BIST 100 Index / BIST Sustainability Index)	Return on equity (ROE), Return on assets (ROA), leverage ratios, and company size. Price/Book Value Ratio. Size.	Larger companies are more sustainable. They show a strong Price/Value relationship, are less volatile, and are better value in the market.
Gavira, Martínez and Espitia (2020) Mexico	DSC = sustainable corporate performance: environmental (IA) social responsibility (IS) and corporate governance (IGC)	ROA, Total assets; EBITDA (earnings before interest, taxes, depreciation, and amortization), Altman's Z	Non-significant relationship with ROA The inverse relationship between total assets and Altman's Z with DSC: IA, IS and IGC
Buchholz, et al. (2020)	Sustainable Business Value (SBV)	Economic value, environment, consumer welfare, digitization, ethics, governance, environment, social empowerment.	A positive relationship between SBV and shareholder profitability. Decision-making towards sustainable growth is facilitated.
Mahmood et al. (2021). Pakistan	Corporate Social Responsibility (CSR)	Return on Equity (ROE), Tobin's Q	The direct positive impact of CSR on accounting and financial performance
Source:Author own elaboration. based on the cited authors.			

Although the findings are not conclusive, a large part of the analyzed research shows a positive relationship between the adoption of sustainability reports and financial performance, which would indicate the strategic position of this indicator as a driving force of good financial performance and, therefore, of corporate financial sustainability, as a consequence of adopting social, environmental and economic criteria consistent with the sustainability construct.

6. Discussion

The findings in this work allow laying the foundations for further studies in the field of business sustainability, in a context where companies need to validate their actions before stakeholders, who are always attentive to their operations in a society that is increasingly aware of not only economical but also social and environmentally sustainable development. Even more so

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when the challenges companies assume have increased in the face of a pandemic.

7. Concluding Remarks

Business sustainability is framed in the institutional theory since the first is already included in different regulations such as ISO standards and gaining relevant importance in finance. The generation of social responsibility indexes and their positive evolution allows stakeholders to evaluate companies' sustainable performance and identify socially responsible investments backed by companies that have met sustainability standards. These funds are increasingly in demand by companies and by institutional investors. One aspect to highlight is that these funds have provided better returns to investors and even more so in times of the COVID-19 pandemic.

On the other hand, investment regulatory bodies and stock exchange markets have established the need for companies to present reports on their activities related to sustainability, being the GR4-based report the one that must be adopted at present. Companies have voluntarily adopted the preparation and presentation of these reports as a complement to financial information, thus assuming their responsibility to stakeholders and subjecting themselves to the rules and regulations of the markets where their financial securities operate. These reports are constantly evolving and increasingly seek to align with the business strategy and social needs to search for companies to adhere to the SDGs.

Finally, empirical research shows a positive relationship between Business Sustainability and Financial Performance, thus showing the importance of the former to achieve financial sustainability. Therefore, it is highly relevant that companies achieve business sustainability.

This research allows us to have a general framework of business sustainability. We tried to address the main aspects directly related to it, including a compendium of empirical research demonstrating the critical relationship between business sustainability and financial performance. On the one hand, it highlights the importance of the first to achieve the second and, on the other, it seeks to provide a framework of reference for future research in this field, which aims to encourage more companies to adopt these sustainability criteria in all their actions and in this way we can live in a better world.

8. Conflict of interest

The author declare no conflict of interest.

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