In mid-2015, the Hispanic American teams of the Global Reporting Initiative (GRI) and A.T. Kearney decided to take the challenge of determining how thoroughly Latin American Boards understand sustainability, how deeply convinced they are of their role in its management, where are we in regards to the implementation of such conviction and what is needed to take firm steps towards it.

This study, first in the region, collects the perspectives of 275 Directors, currently serving on the Boards of the leading companies in their countries. This sample gives us a picture of what is happening inside the Boards of approximately 550 organizations. No such study on sustainability and corporate governance has ever been carried out in Latin America.
The Board should be the body leading sustainability in the long term (is nowadays led by the executive teams of their companies)

Almost half believe that the executive teams in their companies do not have a deep enough knowledge

- Perceive tangible benefits for the company
- Participate more actively in risk and materiality analysis
- Value the executives’ management with a longer term vision

SUSTAINABILITY CREATES 99% FINANCIAL VALUE

62% Increase of intangible benefits
59% Early identification of both risks and alternative ways of achieving goals

ISSUES ADDRESSED WITH GREATER DEPTH
- Corporate governance
- Labor practices, which includes workplace safety and gainful employment
- Transparency and fighting corruption
- Environment
- Procurement and supply chain practices
- Product liability and consumer rights

LOOKING AHEAD ISSUES THAT ATTRACT GREATER INTEREST

- Sustainability is an integral part of the economic, social and environmental management of the company
- Directors request creating value at the level of understanding

DIRECTORS REQUEST
- Training
- Reliable information
- Involvement in the development of materiality analysis

SUSTAINABILITY

DIRECTORS

INTENTI0N OF THE ECONOMIC, SOCIAL AND ENVIRONMENTAL MANAGEMENT OF THE COMPANY

EXTERNAI INFLUENCERS
- Suppliers
- Environmentalists
- NGOs
- Consumers and customers
- Senior management
- Employees
- Government and regulators

INTERNAL INFLUENCERS
- Owners and shareholders

LESSER RELATIVE INFLUENCE

We thank the Directors who shared their views with us, as well as our local partners in this initiative, AG Sustentable in Argentina, the Santiago Stock Exchange and Board-Packs in Chile, the Colombian Stock Exchange, the Brazilian Institute for Corporate Governance in Brazil and MC&F in Peru, whose help was key in carrying out this study.

The study shows that the responding Directors have a conceptual vision of sustainability and are aware of its importance. Four out of five Directors link sustainability to the corporate strategy and the identification of risks and opportunities, or understand it as an integral part of the economic, social and environmental management of the company. However, there are still challenges understanding the tangible benefits of sustainability to the ‘business case’, which hinders its leadership and connection with the corporate strategy.

There is almost unanimous consensus among respondents that sustainability creates financial value. Most Directors stated that the increase of intangible benefits and the early identification of both risks and alternative ways of achieving goals as the main means through which such value is created. Interestingly, despite expressing a comprehensive understanding of the topic and linking it with the business results, only half say they have a ‘formed opinion’ on sustainability. However, those ‘knowledgeable’ Directors, with a formed opinion on sustainability management, perceive tangible benefits for the company beyond reputation and brand value, participate more actively in risk and materiality analysis and value the executives’ management with a longer term vision.

Yet, although more than half of respondents say the Board should be the body leading sustainability in the long term, nowadays this matter is clearly led by the executive teams of their companies. Almost half of the Directors believe that the executive teams in their companies do not have a deep enough knowledge of sustainability, or do not have a formed opinion on the subject.

Sustainability issues addressed with greater depth over the past couple of years by the Boards, represented in the study, are corporate governance and labor practices, which includes workplace safety and gainful employment. Still, responding Directors wish to cover more deeply issues related to the environment, on one hand, and transparency and fighting corruption, on the other. Looking ahead, the issues that attract greater interest are those related to the companies’ operations, which focus on procurement and supply chain practices, product liability and consumer rights.

Directors state that the contingencies identified through sustainability management are beginning to be included in the risk management systems, but the long-term vision on risk – which is closely linked to the strategy – is still limited.
From the perspective of influence, Directors believe that the external stakeholders that exert greater influence on sustainability management are consumers and customers, governments and regulators, and owners and shareholders. With regard to internal stakeholders, senior management and employees have been identified as major influencers. It is noteworthy that actors that might be key in times of crisis - such as suppliers, environmentalists, NGOs and associations - were listed as actors with lesser relative influence.

For this to happen, **3 out of 4 Directors request sustainability to be included as a key element of the corporate strategy.** More training on the topic for the Board, deeper and more reliable information by the management team and greater involvement in the development of materiality analysis are required to strengthen the commitment to the sustainability 'business case' and its proper management by the Boards.

Our Boards have the responsibility of ensuring long-term value creation in their companies and, in order to achieve that, they must take a proactive role in managing the implementation of sustainability, which will encourage an open debate within the Board to include sustainability at the early stages of the corporate strategy design. We hope you find this candid view on the topic to be beneficial in strengthening the discussion within your companies and take actions that result in more profitable and sustainable companies, which are the pillars of our region’s economy and sustainable development.

*You may find the complete study in the Liga de Directores’ application. In case you need further support please email the following address: ligadedirectores@atkearney.com*