LEADING SUSTAINABILITY FROM THE BOARD ROOM

THE LATIN AMERICAN CASE
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September 2016

FINANCED BY:

WITH THE SUPPORT OF:
SHAPING AN OPINION
What is the personal perception of Latin-American directors on sustainability?

MANAGING SUSTAINABILITY: WHAT IS AND WHAT IT OUGHT TO BE
Who must be in charge of managing sustainability? Who is actually in charge of it and how deep is their understanding of the topic?

THE ROLE OF THE BOARD ¿PASSIVE OR ACTIVE?
Is sustainability the same for all directors of a company? Board, materiality, and risk What is the role of the board in the elaboration of the sustainability report?

A NEW AGENDA FOR THE BOARD
What does the board need to get more involved in the subject?

RESULTS BY PARTICIPANT COUNTRY
ARGENTINA BRAZIL CHILE COLOMBIA MEXICO PERU

ABOUT THE STUDY
- Participants - Methodology - Sample - Total companies represented - Demographics - Professional profile
GLOSSARY

BOARD
Highest managing body of a company. Elected by the shareholders and representing them collegially.

DIRECTOR
Member of the board, elected by the company’s shareholders.

CHAIRMAN OF THE BOARD
Director elected to be the head of the board.

ADMINISTRATION
Executive team of a company, also known as senior management.

CEO (CHIEF EXECUTIVE OFFICER)
Highest executive position within the senior management.

CORPORATE GOVERNANCE
Procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization—such as the board, managers, shareholders, and other stakeholders and lays down the rules and procedures for decision making (definition by the OECD).

STAKEHOLDERS
Entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. (GRI G4)

MATERIALITY ANALYSIS
Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization’s economic, environmental, and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which aspects become sufficiently important that they should be reported. Beyond this threshold, not all material aspects are of equal importance and the emphasis within a report should reflect the relative priority of these material aspects. (GRI G4)

TRIPLE BOTTOM LINE
Accounting framework of the economic, social, and environmental results.
SUSTAINABILITY IS AN INTEGRAL PART OF THE ECONOMIC, SOCIAL AND ENVIRONMENTAL MANAGEMENT OF THE COMPANY.

DIRECTORS

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

The Board formed opinion 44%.

99% FINANCIAL VALUE
62% Increase of intangible benefits
59% Early identification of both risks and alternative ways of achieving goals

MAIN RESULTS

SUSTAINABILITY CREATES

ISSUES COVERED MORE DEEPLY

- Corporate governance
- Labor practices, which includes workplace safety and gainful employment
- Transparency and fighting corruption

ISSUES ADDRESSED WITH GREATER DEPTH

- Procurement and supply chain practices
- Product liability and consumer rights

LOOKING AHEAD

ISSUES THAT ATTRACT GREATER INTEREST

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

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

LEVEL OF UNDERSTANDING

DIRECTORS REQUEST

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

CREATE VALUE

SUBSTANTIAL ACTIONS LED BY THE BOARD

INTERNAL INFLUENCERS

- Senior management
- Employees

EXTERNAL INFLUENCERS

- Suppliers
- Environmentalists
- NGOs
- Associations
- Customers and stakeholders
- Governments and regulators

LESSE R RELATIVE INFLUENCE

The Board should be the body leading sustainability in the long term (is nowadays led by the executive teams of their companies).
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 they are in regard to the implementation of such conviction, and what is needed to take firm steps toward it.

This study 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.

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 in 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 are 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 and 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.

The next step involves translating the level of understanding on the issue and the conviction that sustainability does create value into substantial actions led by the board. For this to happen, three out of four directors request that sustainability 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.

Andrea Pradilla Andrade  
Director  
GRI Hispanic America

Eulalia Sanín Gómez  
Partner  
A.T. Kearney
WHAT IS THE PERSONAL PERCEPTION OF LATIN-AMERICAN DIRECTORS ON SUSTAINABILITY?

Surveyed Latin-American directors claim that they have a deep understanding of sustainability and are aware of the benefits its management has in creating financial value. Nevertheless, they do not have a formed opinion on the matter and cannot pinpoint the transition from management to value.

Sixty-two percent of respondent directors indicate they have knowledge of sustainability and are aware of the latest developments on the matter, but only 44 percent claim to have a “formed opinion” on the topic (see figure 1). This shows that, despite the fact that directors understand the importance of sustainability, they have not incorporated it in their value scale as to have a clear position about it.

The understanding of sustainability is in line with the level of expertise stated by the respondents. Eighty percent link the definition of sustainability to the corporate strategy or think of it as a comprehensive view of the economic, social, and environmental management of the company (see figure 2).
Interestingly, although most participants claim they do not have a formed opinion on the matter, almost 100 percent state that sustainability is useful for the creation of financial value. In addition, they think the two main means through which sustainability management creates value are the increase in intangible assets such as reputation and brand value and the early identification of both risks and alternate ways of achieving goals (see figure 3).
It is noteworthy that directors who claim to have a formed opinion on sustainability (44 percent of respondents; see figure 1)—hereafter referred to as “the knowledgeable”—consider in a slightly higher percentage that the increase of the share price is a means by which sustainability management contributes to value creation. This shows that those with a higher level of expertise start to identify the tangible benefits of properly managing sustainability.

In short, directors state that they have a strong conceptual knowledge and are aware that sustainability management benefits the company; however, they have not yet taken a clear position on the matter, and do not define the tangible mechanism that transforms sustainability into financial value. Efforts to spread a more comprehensive vision have been successful, but they need to permeate the directors’ priorities in order to translate it into a clearer understanding of the tangible benefits (beyond reputation and brand value) in addition to just reinforcing the theoretical basis.
WHO MUST BE IN CHARGE OF MANAGING SUSTAINABILITY?
WHO IS ACTUALLY IN CHARGE OF IT AND HOW DEEP IS THEIR UNDERSTANDING OF THE TOPIC?

More than half of respondents believe sustainability should be managed by the board—whether jointly or through a committee or director reporting to the rest—but they state that the matter is currently managed by the administration, whether by the CEO, a sustainability manager, or the public relations and communications department [see figure 4].

Now, according to about half of responding directors, the person or entity currently in charge of managing sustainability has a deep understanding and a formed opinion on it. It is noteworthy that more than a third of the directors perceive that companies have managers who do not know the subject in depth [see figure 5].

This trend changes dramatically when studying the responses of the knowledgeable. Sixty-two percent of this group believe that the person or entity currently in charge of the matter in their companies has their same level of expertise; only 21 percent believe that the person or entity ignores the relevant details of the subject.
Sustainability management is affected by external and internal actors, commonly referred to as stakeholders. According to information provided by 40 percent of respondents, consumers and customers and senior management are the ones that exert greater influence on sustainability management. The knowledgeable consider that these two actors are the most influential and, in addition, when compared with the responses of other participants, think communities and employees have a greater level of influence (see figure 6).

Actors whose activity is related to promoting good corporate practices and who may impact public perception, such as environmentalists, mass media, and associations, are considered to be less influential actors.

Thus, there are two contradictions identified when addressing sustainability inside the organization. The first contradiction suggests that, according to responding directors, the entity in charge of managing the topic should not be doing it, and the second that the actors whose work is associated with promoting good corporate practices are less influential on addressing the matter.
“BOARDS THAT ARE MORE ADVANCED IN MANAGING SUSTAINABILITY UNDERSTAND TO A GREATER EXTENT THE INFLUENCE THAT COMMUNITIES HAVE IN THE DEVELOPMENT OF THEIR COMPANY’S OPERATIONS”.

CARLOS ENRIQUE PIEDRAHÍTA
COUNCIL ADVISOR, GRI

WHICH ARE THE TWO ACTORS THAT INFLUENCE THE MANAGEMENT OF SUSTAINABILITY THE MOST?
THE ROLE OF THE BOARD
PASSIVE OR ACTIVE?

IS SUSTAINABILITY THE SAME FOR ALL DIRECTORS OF A COMPANY?

Fifty-five percent of directors claim that in the boards where they serve, there is a general understanding of sustainability and that its definition comes from different sources [see figure 7]. However, of that group, only 34 percent say that the concept of sustainability used in their companies comes from the board itself. This proportion continues even in those boards that include the knowledgeable [only 36 percent state that their boards are the ones establishing the concept in their companies].

About 80 percent of the boards where the knowledgeable participate have a general understanding of sustainability. Looking closely at their companies, we can conclude that 49.6 percent of them are part of at least one company listed in the Stock Exchange. On the other hand, the majority of these companies belong to the industrial (22 percent), finance (20 percent), and service (20 percent) sectors.

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**Figure 7.**

IN THE BOARDS OF DIRECTORS WHERE YOU SERVED, IS THERE A GENERALIZED UNDERSTANDING OF WHAT SUSTAINABILITY IS? IF SO, WHERE DOES THE DEFINITION OF SUSTAINABILITY ADOPTED FOR DISCUSSION COME FROM?

[% OF TOTAL PARTICIPANTS]

- The Board of Directors: 34%
- CEO: 28%
- The outside, from pre-existent definition: 26%
- A lower-ranking manager: 10%
- Other: 3%
- No answer: 55%

**Note:** The sub-graphic data corresponds to the total percentage of respondents that state in their Boards there is a generalized understanding of what sustainability is.
BOARD, MATERIALITY, AND RISK

Fifty percent of respondents claim that their boards carry out materiality analysis on sustainability (see figure 8). Although this measure is applied to a great extent, there still is a considerable way to go to increase the number of companies that engage in this practice, linking it to the corporate strategy and to the medium- and long-term performance evaluation.

Figure 8.

IN THE BOARDS OF DIRECTORS WHERE YOU SERVE, IS THERE A MATERIALITY ANALYSIS IN WHICH THE DEMANDS OF THE STAKEHOLDERS AND THE OPERATIONAL ASPECTS OF THE COMPANY ARE PRIORITIZED? (% OF TOTAL PARTICIPANTS)

Respondents state that only 30 percent of the organizations include sustainability related risks into their risk management systems (see figure 9). Risks identified from 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.

These trends change when the knowledgeable group is analyzed. In this group, the materiality analysis is carried out in six out of 10 boards and in 40 percent of the companies the risks related to sustainability are included largely in the risk management system. This indicates that if there is a higher understanding of the topic, the board becomes more engaged, which translates into concrete actions to manage sustainability.
WHAT IS THE ROLE OF THE BOARD IN THE ELABORATION OF THE SUSTAINABILITY REPORT?

Reporting is another important element in managing sustainability. Participants state that annual sustainability reports are made in six out of 10 companies. This number increases to seven out of 10 when the knowledgeable boards are analyzed.

More than half of directors surveyed claim that they engage passively, limited to validating and approving the report [see figure 10]. Just over a third of the directors take an active role in the elaboration of the sustainability report.

The knowledgeable show a higher level of engagement in making the report. Forty-three percent state they participate actively by defining the main topics to present and ensuring the evaluation of material aspects affecting stakeholders.

In regard to the use of the reported information, directors use the document to define the strategy and prioritize areas of action and to identify non-traditional risks and establish mitigation strategies. To a lesser extent, the report helps to evaluate the performance of the management team and to inform investment decisions and corporate expansion [see figure 11]. In addition, the knowledgeable use the report to evaluate, at a higher degree, the performance of the management team.

“KNOWLEDGEABLE BOARDS MAKE OF THEIR SUSTAINABILITY REPORTING EXERCISE THE AXIS THAT CONNECTS CORPORATE STRATEGY WITH THE LONG TERM VISION OF RISK”.

EULALIA SANÍN
PARTNER, A.T. KEARNEY
In general, in the companies where you serve as director, are sustainability reports made? If so, what is the board of directors’ role in preparing the sustainability report? (% of total participants)

Figure 10.

Note: The sub-graphic data corresponds to the total percentage of respondents that state sustainability reports are made in their companies.

For what purpose does the board of directors use the environmental, social, and corporate governance information provided in the annual sustainability report? (% of total participants)

Figure 11.
HOW MUCH DO SAMPLE COUNTRIES CURRENTLY REPORT?

According to GRI statistical data in 2015, 5,509 reports—created under either GRI or non-GRI methodology—were published in 73 countries. The United States and Taiwan were the main contributors [see table 1].

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>572</td>
<td>1</td>
</tr>
<tr>
<td>Taiwan</td>
<td>410</td>
<td>2</td>
</tr>
<tr>
<td>Brazil</td>
<td>262</td>
<td>5</td>
</tr>
<tr>
<td>Colombia</td>
<td>192</td>
<td>7</td>
</tr>
<tr>
<td>Mexico</td>
<td>96</td>
<td>19</td>
</tr>
<tr>
<td>Argentina</td>
<td>90</td>
<td>21</td>
</tr>
<tr>
<td>Peru</td>
<td>59</td>
<td>30</td>
</tr>
<tr>
<td>Chile</td>
<td>58</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Sustainability Disclosure Database. GRI. Year of publication 2015.
Survey results suggest the need to modify the topic agenda covered by the board [see figure 12]. In recent years, corporate governance and labor practices have been the two priority subjects in the boards’ discussions. This is not surprising given the recent approach given by regulators, particularly around new codes of corporate governance. The two subjects that directors believe must be covered more thoroughly from now on are environment, water, biodiversity, emissions, and energy, and transparency and fighting corruption. A third group of subjects that will become important—and which is directly related to the sustainability business case—is procurement and supply chain practices, product liability, and consumer rights.
As there is greater awareness about sustainability, the topics discussed by the board change. The knowledgeable state they have addressed environmental issues and human rights and communities to a larger extent. In addition, they show greater interest in discussing the consolidation of community rights.

In addition to modifying the agenda, seven out of 10 respondents would like sustainability to be considered a key element of the corporate strategy and four out of 10 would like to have training on sustainability for the directors [see figure 13]. Participants also suggested having deeper and more reliable access to reported numbers and developing a materiality analysis within the board as actions to improve sustainability management.

![Figure 13.](image)

**WHAT WOULD YOU LIKE TO BE IMPLEMENTED IN THE COMPANIES WHERE YOU SERVE AS DIRECTOR IN ORDER TO HAVE A BETTER MANAGEMENT OF SUSTAINABILITY? (% OF TOTAL PARTICIPANTS)**

- 75% Consideration of sustainability as a key element of the corporate strategy, integrated as such within the objectives of the company
- 38% Training on sustainability for company Directors
- 30% Sustainability reports presented to the Boards of Directors with greater depth and reliability
- 30% Development of a materiality analysis within the Board to prioritize sustainability issues that are relevant to the organization and its stakeholders
- 21% Performance of Directors and Senior Management linked to the achievement of sustainability goals
- 4% Sustainability management guided by the administration without involvement of the Board
- 2% Other

“The request for training on the topic shows the interest that directors have in deepening their knowledge about sustainability. Knowledge is fundamental for the development of sustainability in companies”.

**CARLOS ENRIQUE PIEDRAHÍTA**
COUNCIL ADVISOR, GRI
ARGENTINA RESULTS

The most notable trend in Argentina is the level of expertise in sustainability reported by the surveyed directors, where seven out of 10 claim to have a thorough knowledge and a formed opinion on it, compared with the regional average of 44 percent [see figure 14].

In relation to sustainability management within the organization, in almost half of the companies where the respondents serve sustainability is led by the board and not by the administration [see figure 15]. This differs from the regional trend where in most cases sustainability is led by the administration. It is important to note that some Argentinian companies have boards composed entirely by management executives.

CHOOSE THE STATEMENT THAT BEST DESCRIBES YOUR LEVEL OF EXPERTISE IN TERMS OF SUSTAINABILITY (% OF TOTAL PARTICIPANTS)

- I have a deep understanding of the concept, I am aware of the latest improvements in sustainability management and I have a formed opinion about the subject: 74%
- I have a deep understanding of the concept and I am aware of the latest improvements in sustainability management; however, I do not have a formed opinion about the subject: 44%
- I know the concept but I am not familiar with the details about the topic: 16%
- I do not know the concept of sustainability: 3%

Figure 14.

With regard to the most influential actors on sustainability management, Argentinian directors identify communities as the stakeholder with the most influence. Similarly, the importance given to employees is also noteworthy, since the regional trend is lower [see figure 16].

On the other hand, respondents claim that the most discussed topic during recent years was labor practices, workplace safety, and gainful work, which matches the importance that surveyed directors give to employees.

In terms of sustainability reporting, 87 percent of Argentinian respondents indicated that sustainability reports are prepared in the companies where they serve—a much higher percentage than the regional average of 56 percent.
WHO IS CURRENTLY RESPONSIBLE FOR HANDLING SUSTAINABILITY?
WHO DO YOU BELIEVE SHOULD HANDLE SUSTAINABILITY TOPICS IN THE COMPANIES WHERE YOU SERVE AS DIRECTOR?
(% OF TOTAL PARTICIPANTS)

REGIONAL TREND VS ARGENTINA

**WHO IS CURRENTLY RESPONSIBLE FOR HANDLING SUSTAINABILITY?**

**WHO DO YOU BELIEVE SHOULD HANDLE SUSTAINABILITY TOPICS IN THE COMPANIES WHERE YOU SERVE AS DIRECTOR?**
(% OF TOTAL PARTICIPANTS)

**WHO IS CURRENTLY RESPONSIBLE FOR HANDLING SUSTAINABILITY?**

**WHO DO YOU BELIEVE SHOULD HANDLE SUSTAINABILITY TOPICS IN THE COMPANIES WHERE YOU SERVE AS DIRECTOR?**
(% OF TOTAL PARTICIPANTS)

**FIVE ACTORS THAT INFLUENCED SUSTAINABILITY MANAGEMENT AT A GREATER EXTENT**
(% OF TOTAL PARTICIPANTS)

“For a better understanding of the results in Argentina, it is important to state that a high percentage of directors who responded to the survey are, in fact, part of the group of organizations that have joined the reporting and transparency process in Argentina. They have an average reporting experience of seven years, with 99 percent of them following GRI’s G4 guidelines. This aspect partly explains why the responses of Argentinian government bodies rank above average in some points.

It is worth mentioning that although the percentage of Argentinian organizations with sustainability expertise is low in relation to the total number of companies in the country, they have a high and rigorous understanding of the matter”.

Julio R Sotelo - Gustavo E. Sinner
AG Sustentable

LEADING SUSTAINABILITY FROM THE BOARD ROOM
THE LATIN AMERICAN CASE

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The most notable trend in Brazil is related to the understanding that responding directors have of sustainability [see figure 17]. Respondents are divided between those who declare a basic knowledge (49 percent) and those who indicate they are knowledgeable (46 percent). Compared with the regional average, Brazilian respondents have a less detailed knowledge of sustainability.

Similarly, 66 percent of surveyed directors indicated that there is no general understanding of sustainability in their boards [see figure 18]. This percentage is higher than the regional average of 44 percent. Participants also state that managers have greater influence in establishing the definition of the subject, compared to the regional trend.

As for stakeholders, when compared with the regional average, Brazilian directors consider that government and mass media are more influential, ranking second and fifth respectively among the most influential actors on sustainability management.

On the other hand, respondents coincide with the regional trend when stating that corporate governance has been the most discussed topic by the boards. However, they also claim that other issues that are still emerging in the region, such as procurement and consumer rights, have been thoroughly covered [see figure 19].
In the boards of directors where you served, is there a generalized understanding of what sustainability is? If so, where does the definition of sustainability adopted for discussion come from? (% of Brazil total participants)

- The Board of Directors: 33%
- CEO: 8%
- The outside, from pre-existent definition: 25%
- A lower-ranking manager: 33%

Five subjects discussed with greater depth in the past two years in Brazil (% of total participants)

- Corporate Governance: 69% (65% Brazil, 66% regional trend)
- Practices of acquisitions and supply chain: 51% (31% Brazil, 56% regional trend)
- Work practices, safety and gainful employment: 40% (56% Brazil, 28% regional trend)
- Consumer rights and responsibility over products: 40% (28% Brazil, 34% regional trend)
- Transparency and fighting corruption: 34% (38% Brazil, 33% regional trend)

“The study presents as positive points the finding that the theme of sustainability (ESG—environmental, social, and governance) is treated as strategic for different types of companies and it is increasingly present in the strategic guidelines of the boards. This is great progress in 10 years”.

Carlos Eduardo Lessa Bradão
Member of the Sustainability Committee and Coordinator of the Government and Ethics Study Group
Instituto Brazileiro de Governança Corporativa (IBGC)
Although 45 percent of surveyed Chilean directors claim to have a basic understanding of sustainability, compared with the 37 percent regional average, the actions reported by participants suggest a higher level of board involvement in addressing the matter than the regional trend. To begin with, according to respondents, in 64 percent of cases the board is responsible for establishing the definition of sustainability (see figure 20), compared with the 35 percent regional average. Similarly, 60 percent of Chilean directors state that the boards in which they participate carry out materiality analysis (see figure 21), which is 10 percent above the regional average.

In addition, 90 percent of participants reported that in their boards, the risks related to sustainability are included in the risk management system to some extent or a large extent (see figure 22). This result is 17 points above the regional average.

On the other hand, and in line with the regional trend, respondents claim that the administration is in charge of managing sustainability within their organizations. However, and unlike the regional average (19 percent), 40 percent of Chilean respondents consider that the person or entity in charge has a deep understanding and a formed opinion on the matter.
IN THE BOARDS OF DIRECTORS WHERE YOU SERVE, IS THERE A MATERIALITY ANALYSIS IN WHICH THE DEMANDS OF THE STAKEHOLDERS AND THE OPERATIONAL ASPECTS OF THE COMPANY ARE PRIORITIZED?

(%) OF CHILE TOTAL PARTICIPANTS

ARE SUSTAINABILITY RELATED RISKS INCLUDED IN THE RISK MANAGEMENT SYSTEM?

(%) OF CHILE TOTAL PARTICIPANTS

Figure 21.

Figure 22.
The most notable trend among respondent Colombian directors is related to how they perceive the creation of business value associated with sustainability. Participants consider that the main vehicle for creating value is the early identification of both risks and alternate ways of achieving goals, which differs from the regional average, where this value is mainly related with the increase of intangible benefits. In addition, 32 percent of respondents relate share price increase with sustainability management, when compared to the 25 percent regional average (see figure 23).

**Figure 23.**

**SUSTAINABILITY MANAGEMENT CONTRIBUTES TO THE CREATION OF VALUE IN THE COMPANY BECAUSE IT LEADS TO:**

<table>
<thead>
<tr>
<th>% of Total Participants</th>
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<tbody>
<tr>
<td>Early identification of both risks and alternative ways to achieve goals</td>
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<tr>
<td>Increase in intangible assets such as reputation and brand value</td>
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<tr>
<td>Increase in the share price and the value generated for shareholders</td>
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<tr>
<td>Increase in the quantity and quality of innovations</td>
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<tr>
<td>Attraction and retention of talent</td>
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<tr>
<td>Reduction in operating costs as a result of efficiency and savings</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Increase in market share</td>
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Sample: 103 directors who are currently part of 210 boards
Respondents in Colombia show less interest in discussing issues related to communities within the boards. The participation of the company in strengthening community rights and human rights and local communities are reported as the least discussed topics and the ones with less interest to be discussed in the future. This differs from the regional average.

On the other hand, Colombian directors state a reporting rate higher than the regional average [see figure 24]. This result is in line with the 2015 GRI database statistics, in which Colombia ranks seventh worldwide and second in Latin American in terms of number of sustainability reports.

Figure 24.

IN GENERAL, IN THE COMPANIES WHERE YOU SERVE AS DIRECTOR, ARE SUSTAINABILITY REPORTS MADE? IF SO, WHAT IS THE BOARD OF DIRECTORS’ ROLE IN PREPARING THE SUSTAINABILITY REPORT

(\% OF COLOMBIA TOTAL PARTICIPANTS)

![Circle Chart]

- Participate passively: 52\%
- Participate actively: 33\%
- Remove itself from the process: 13\%
- No response: 2\%

“There has been significant progress in Colombia regarding the number of companies disclosing sustainability information. However, Directors must be strategically involved in the definition of the material aspects that will be reported, and as part of their fiduciary duty, they should ensure the quality of the information that is being shared in the market in order to enable sustainable decision making”.

Andrea Pradilla
Director, GRI Hispanic America
In Mexico, responding directors claim to have less knowledge of sustainability than the regional average. Nineteen percent of respondents say they have a deep knowledge and a formed opinion on the subject, while about 50 percent of participants state having a basic knowledge [see figure 25].

Respondents in Mexico show a different trend from the rest of the surveyed group in regard to the body that should manage sustainability. While at the regional level most of directors believe that the board should lead the issue, more than half of the Mexican directors think the administration must be in charge of the task [see figure 26]. It is noteworthy that 19 percent of Mexican respondents say that they do not know who is currently in charge of the issue, compared with the 7 percent regional average.

**Sample:** 36 directors who are currently part of 97 boards

We highlight the level of knowledge that Mexican participants give to the person or entity in charge of managing sustainability. Sixty percent believe that the current person or entity in charge of managing sustainability has a deep knowledge of the subject and a formed opinion about it, a higher percentage than the 46 percent regional average [see figure 27].
In addition, 47 percent of Mexican directors state that their companies have annual sustainability reports. It should be noted that 43 percent claim to be actively involved in its elaboration, five points above the regional average.

“...the level of knowledge on sustainability in the Mexican Boards. There are clear examples of the business value generate by a good management of this issue, which should serve as an incentive to increase the importance of sustainability in the agenda of our country’s Boards. The results from this study show that we can learn a lot from our neighbors in Latin America”.

Alejandro Martínez
Partner, AT Kearney
Peru Results

Forty-four percent of Peruvian directors claim to know the concept of sustainability, but not in detail (see figure 28). However, about 60 percent of Peruvian participants consider sustainability a business approach essential for the company’s strategic planning, compared with the 40 percent regional average (see figure 29).

In line with this result, 56 percent of respondents claim that their boards carry out a materiality analysis, a result which is six points above the regional average.

In addition, 48 percent of participants said that their companies make sustainability reports. Only 33 percent of participants have expressed an active role in its elaboration, placing Peru five points below the regional average (see figure 30).
“Sustainability is present on the agendas of Peruvian boards, prioritizing stakeholder interaction. This presence is still partial and calls for a deeper knowledge about the concept and requires that the perception about the board leadership on the matter becomes a reality”.

Enrique Díaz Ortega
Funding Partner, MC&F Consultores
The Global Reporting Initiative (GRI) is an independent international organization that has pioneered corporate sustainability reports since 1997. The organization helps companies, government and other organizations to understand and communicate their impact in critical sustainability topics such as climate change, human rights and corruption. With thousands of organizations reporting in more than 90 countries, the GRI offers the standards to elaborate more reliable sustainability reports and widely used around the world. Currently 30 countries and regions, reference the GRI in their policies. Since June 2014 the organization has its GRI Regional Hub for Hispanic America in Colombia, to offer orientation and support to local organizations in order to promote the standard practice of sustainability reports in the region.

About A.T. Kearney

A.T. Kearney is a management consultancy firm with a network of offices that extends in more than 40 countries worldwide. Since 1926, the firm has been a trusted advisor to the world’s foremost organizations. A.T. Kearney is a proprietary partner firm, committed to helping clients achieve immediate impact and a growing advantage on their most mission-critical issues.
ONLINE SURVEY - 18 questions on personal opinion on sustainability and how it is addressed inside the boards of directors.

SURVEY WAS SENT TO THE DIRECTORS VIA EMAIL, either to their personal account, their secretaries, or other board members.

SURVEY ANSWERS WERE HANDLED AS CONFIDENTIAL INFORMATION AND PROCESSED COLLECTIVELY, IN ORDER TO KEEP THE DIRECTORS ANONYMOUS AND PROMOTE THE VERACITY OF THE ANSWERS.

SAMPLE

LATIN AMERICAN DIRECTORS

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>34</td>
</tr>
<tr>
<td>Brazil</td>
<td>73</td>
</tr>
<tr>
<td>Chile</td>
<td>64</td>
</tr>
<tr>
<td>Colombia</td>
<td>195</td>
</tr>
<tr>
<td>Mexico</td>
<td>98</td>
</tr>
<tr>
<td>Peru</td>
<td>75</td>
</tr>
<tr>
<td>Other Countries</td>
<td>8</td>
</tr>
</tbody>
</table>

TOTAL COMPANIES REPRESENTED

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed in a Stock Exchange</td>
<td>27%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>73%</td>
</tr>
<tr>
<td>Energy / Mining</td>
<td>85%</td>
</tr>
<tr>
<td>Construction</td>
<td>4%</td>
</tr>
<tr>
<td>Retail</td>
<td>11%</td>
</tr>
<tr>
<td>Agroindustrial</td>
<td>4%</td>
</tr>
<tr>
<td>Industrial</td>
<td>19%</td>
</tr>
<tr>
<td>Financial</td>
<td>18%</td>
</tr>
<tr>
<td>Strategy</td>
<td>75%</td>
</tr>
<tr>
<td>Finance</td>
<td>46%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>36%</td>
</tr>
</tbody>
</table>

PROFESSIONAL PROFILE

Average years of experience as director: 15.7 years

Average boards served on: 2.6

Role in the board

- Part of Committees: 56%
- Independent Directors: 56%
- Chairman: 45%
- Executive Director: 44%
- Other: 15%

Average age: 54 years (30-35 the youngest, 76-80 the eldest)

DEMOGRAPHICS

- Males: 16.5
- Females: 11.1

KNOWLEDGE AREAS / EXPERTISE

- Strategy: 75%
- Finance: 46%
- Corporate Governance: 36%
- Energy / Mining: 11%
ACKNOWLEDGMENTS

GRI and A.T. Kearney would like to thank the following people for their valuable input during the development and publication process of this document:

**Global Reporting Initiative**
- **Glaucia Terreo**
  Director, GRI-Brasil
- **Lina Camargo**
  Coordination, GRI-Hispanic America
- **Ana Mercedes Orozco**
  Assistant, GRI- Hispanic America

**A.T. Kearney**
- **Ricardo Haneine**
  Managing Partner, Mexico
- **Lisandro Pérez**
  Managing Partner, Colombia
- **Alejandro Martínez**
  Partner, Mexico
- **Diego Desentis**
  Associate, Mexico
- **Ángela Reyes**
  Associate, Mexico
- **Mónica Arias**
  Executive Assistant, Colombia

**AG Sustentable, Argentina**
- **Julio Roque Sotelo**
  Partner
- **Gustavo Edwin Sinner**
  Partner

**Bolsa de Comercio de Santiago, Chile**
- **José Antonio Martínez**
  Chief Executive Officer
- **Lucy Pamboukdjian**
  Chief Commercial Officer
- **Ignacio Reyes**
  Head of International Relations

**Board Packs, Chile**
- **Jonathan Callund**
  Regional Representative

**Bolsa de Valores de Colombia**
- **Juan Pablo Córdoba Garcés**
  Chief Executive Officer
- **Carlos Barrios**
  Director, Investors Relations and Corporate Social Responsibility

**IBGC, Brasil**
- **Heloisa Bedicks**
  Managing Director
- **Marcos Jacobina**
  Certification and Chapters Manager
- **Roberta Simonetti**
  Coordinator Sustainability Commission
- **Carlos Lessa Brandão**
  Member Sustainability Commission
- **Luiz Fernando da Costa Dalla Martha**
  Research Manager
- **Rodrigo Lima**
  Research Coordinator

**MC&F Consultores, Perú**
- **Enrique Díaz**
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