CONGRESO
DE INGENIERÍA, CIENCIA
Y GESTIÓN AMBIENTAL
AMICA

5th International Conference of Greening of Industry Network

28, 29 y 30 de octubre de 2019
Instituto de Ingeniería de la UNAM
Ciudad de México

AIDIS · AMICA · Greening of Industry Network · Instituto de Ingeniería UNAM · University of Twente · Walmart México y Centroamérica · Red Mexicana de Análisis de Ciclo de Vida A. C.

MEMORIAS DE
CONGRESO NACIONAL
AMICA 2019

ISSN

04-2015-050708040300-203

ID 638 HOW DOES SUSTAINABILITY REPORTING PAY BACK?

Maria-Laura Franco-García[1] Jorge Carpio-Aguilar[2] and John Rincón-Moreno[3]

[1] Dr, Department of Governance and Technology for Sustainability, University of Twente (UT), P.O. Box 217, 7500 AE Enschede, The Netherlands.
[2]Walmart Mexico, Blvd. Manuel Ávila Camacho 647 Col. Periodista C.P. 11220 México City, Mexico.
[3]University of Navarra, TECNUN, School of Engineering, Paseo Manuel de Lardizábal 13, San Sebastian, Spain.
[1] Doctor. Department of Governance and Technology for Sustainability, University of Twente (UT), Enschede, The Netherlands. m.l.francogarcia@utwente.nl

Abstract

Since 1987 sustainability has dominated the discourse in relation to environmental protection, though the concept has a broader scope that includes social and economic aspects. In the 1980's innovative ways to produce were explored to produce more resources efficiently whilst this also prevented any contamination. This change is recognized as the move from end of pipe solutions to the clean production type. This latter provoked a paradigm shift when producers identified in the 1990s the opportunity to design the products in a waste less system approach whilst keeping their quality and functionality. After it, the producers try to manage their environmental improvements that could also be accountable either to improve their reputation and/or attract responsible investments. This sustainable accountability became certifiable by organizations as ISO, Global Impact, Global Reporting Initiative, among other certifying entities. This new type of environmental management represented an additional concern for producers as it also enables comparison in terms of sustainability. At present, financial entities look at producers' sustainability credentials to approve loans and promote investments. Lately, the Environmental, Social and Governance (ESG) criteria have been reported as reference for responsible investors. Hence, in this paper, we explored several questions: (i)how ESG has been adopted by producers in Latin America? (ii)How that governance has become the focus in relation to sustainable investment? (iii)What have been the benefits? In order to respond those questions, we analyzed producers in Brazil, Mexico and Chile which were ranked by RobecoSam in 2018 among the best sustainability report holders.

Keywords: Sustainability investment, Environmental, Social Governance reporting, Latin America

Introduction

Over the years since the 60s, different voices have raised their concerns on the most fundamental matters of our existence. Most of them started off as a youth movement protesting against social injustice, war and the environment. However, not all the uprisings took place on the street but also it was the genesis within the academic world and enterprises to commence the discussion on those topics. One example that clearly identifies this relationship between science, companies and their accountability to the public was the book Silent Spring written by Rachel Carson. The book documented the adverse environmental effects caused by the use of synthetic pesticides led by the chemical industry and its lobby to mask the claims against them.

Since then, awareness of the general public towards these topics has made companies more accountable of their actions and duties towards society (Campbell, 2003). Nowadays, the assessment of those actions to demonstrate business conducts are being targeted among Environmental, Social and Governance (ESG) issues which have increased the measurement of impacts at institutional and corporate level in the past years (Ortas, Álvarez, Jaussaud, & Garayar, 2015).

Historically, the environment signified a burden for producers because its costs represented a market disadvantage if costs were allocated into the product price. Strict regulatory frameworks were enforced to guide the technological transformations to mitigate the pollutants release to the natural environment. But the producers already understand that nowadays it is not enough to only comply with regulatory frameworks or regulations. The consumers are also interested in the companies' environmental impacts and the investors are looking into the companies with the most remarkable Environment, Social and Governance performance in order to invest on them.

This paper therefore, seeks to study the emerging field of sustainability performance management and measurement by addressing ESG performance issues regarding to corporate management in companies that were ranked by RobecoSam in 2018 among the best sustainability report holders from Brazil, Mexico and Chile.

Objectives

To analyze how producers has been adopting Environment, Social and Governance criteria for sustainability reporting in Latin America.

From the sustainable investment perspective, we aim to explore how governance has become the focus in the base of the ESG strategy implementation.

To remark after the analysis of the companies selected, what have been the benefits of adopting the ESG criteria in the sustainability reporting.

Methodology

This research was carried out using the case study design that requires literature review of secondary data and interviews to key respondents. For the literature review, content analysis of scientific publications and sustainability reports and other related documents of the selected companies were scrutinized to respond our research questions. The companies (case studies) were selected through two criteria: (i) their recognition as one of the companies enlisted in the "Annual Corporate Sustainability Assessment of 2018" published by RobecoSam and; (ii) their operation in any country of the Latin American region. The companies then were from Brazil, Mexico and Chile.

Results and Discussion

Traditionally, companies were only showing the finance performance of the company in one report, and individually reporting their sustainability practices in another one. But recently, the companies are integrating the finance with Corporate Social Responsibility report, by using the ESG criteria. In order to understand how producers has been adopting Environment, Social and Governance criteria for sustainability reporting in Latin America we consulted sustainability reports and RobecoSAM rankings and information, which is also showing the positive implications of integrate the information as this.

Conclusions

From the sustainability reports from those companies selected as case studies, we will be able to understand how the ESG criterion has been adopted, as well as used as guidance for the structure of the report. The use of language is most of the time more common for the readers, especially for the investors that are interested in specific information.

The included and the most emphasized sections in the sustainability report are relevant in terms of governance, where it is not just limited to internal policies or the conformance of consulting councils, but it is also related to the transparency and reliability of the decisions and priorities for the company.

By the end, we are expecting to identify how the ESG criteria for sustainability reporting is well recognize and is already an enabler to justify sustainable investments.

References

- Bolsa Mexicana de Valores. (2018). Declaración de inversionistas sobre divulgación de información Ambiental, Social y de Gobierno Corporativo en México. Mexico City: BMV.
- Campbell, D. (2003). Intra-and intersectoral effects in environmental disclosures: evidence for legitimacy theory? *Business Strategy and the Environment*, *12*(6), 357–371.
- Carson, R. (1962). *Silent spring*. Houghton Mifflin Harcourt.
- S&P Dow Jones Indices. (2016). *Entendiendo las inversiones según criterios ESG.* S/D: S&P Dow Jones Indices.
- Ortas, E., Álvarez, I., Jaussaud, J., & Garayar, A. (2015). The impact of institutional and social context on corporate environmental, social and governance performance of companies committed to voluntary corporate social responsibility initiatives. *Journal of Cleaner Production*, *108*, 673–684. https://doi.org/10.1016/j.jclepro.2015.06.089