Institute for Sustainability

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A Sustainability Management System that meets all Standards

An analysis of international frameworks and guidelines identifying the most relevant elements for modern sustainability management

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Imprint and project team

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Executive Summary

Companies that want to introduce systematic sustainability management are confronted with a myriad of standards and guidelines.

While there is a globally acknowledged standard for sustainability reporting, the Global Reporting Initiative (GRI), there is no corresponding framework for sustainability management. The ISO 26000 Guidance on Social Responsibility, which comes closest, is not designed as a management system standard. ISO 14001 only refers to environmental management.

In recent years, further frameworks for considering sustainability aspects in corporate management have been developed, such as, most recently, the OECD (Organization for Economic Cooperation and Development) Due Diligence Guidance for Responsible Business Conduct in 2018. As the frameworks use different wordings and are based on different mental models it is difficult to identify the similarities and overlaps with ISO 26000 or ISO 14001 at first glance.

This study is intended to remove the confusion and provide an overview. For this purpose, the most important components for a well-functioning sustainability management system were derived from a selection of highly acknowledged frameworks (Table 1). Most of these frameworks are relevant on the global level. Additionally, we analyzed frameworks which are only relevant in Mexico, Chile or Germany.

Table 1: Frameworks analyzed

1. ISO 14001
2. EMAS - EU Eco-Management and Audit Scheme
3. ISO High Level Structure for Management System Standards
4. ISO 26000
5. OECD Due Diligence Guidance for Responsible Business Conduct
6. OECD Guidelines for Multinational Enterprises
7. UN Guiding Principles on Business and Human Rights
8. SDG Compass. The Guide for Business Action on the SDGs
9. GRI Standards
10. Equator Principles
11. Sustainability Management according to BMU (2011) and PwC (2010)
12. SGE 21. Sistema de Gestión Ética y Socialmente Responsable
13. SA 8000 - Social Accountability 8000
14. NMX-AA-162-SCFI-2012 Auditoria Ambiental
15. Guía de sustentabilidad de la BMV
16. AIAG Supplier Sustainability Self-Assessment

These frameworks already contain a significant amount of expertise but they also focus on objectives other than organizing sustainability management.

Therefore, in order to supplement the information from this desktop analysis, we conducted an online survey with sustainability managers from Mexican, Chilean and German companies. Forty experts, who work with their company sustainability management system on a daily basis, participated and evaluated the management elements. The survey confirmed many of the results obtained from the analysis of the frameworks. However, some management elements were given a different importance. By combining the results of the survey with the results of our desktop analysis of the frameworks the twenty most

relevant elements of sustainability management were derived (Table 2).

In addition, four roundtables were held in Chile and Mexico to discuss experiences, challenges and information needs in the context of sustainability with executive officers and sustainability managers. The participants were presented the main precepts of the study at the time. The discussions made it clear, among other things, that an increasing number of companies are concerned with sustainability management, but the diversity of frameworks and the lack of an overview constitute a challenge. For more details see the results of the workshops in sections 8.2.2 and 8.3.1.

Table 2: The 20 most relevant elements for a sustainability management system

Area	***The 20 most relevant elements for a sustainability management system***
Policies and rules	Policy (f,e) Code of conduct (e)
Organisational structure	Responsibilities within executive board (f,e) Responsibilities within senior management (f,e) Sustainability officer (f,e) Sustainability department (e)
Processes	Integration in business processes (f,e) Systems to ensure compliance (f,e)
Continuous improvement	Goals and measures (progress tracking) (f,e) Monitoring / performance evaluation with sustainability indicators (f,e) Management of ESG risks (f,e) Grievance mechanisms (f) Training (f)
Communication	Sustainability reporting (f,e) Leadership and commitment (e) Internal communication (f) Stakeholder dialogue (e) Stakeholder engagement (f)
Preparatory tasks	Determining the relevant aspects (f,e) Determining the scope of the management system (e)
(f) top 15 in frameworks (e) top 15 according to experts	

For experts, the management elements identified might not be particularly surprising as they know that management systems consist of an interaction between policies, responsibilities, processes and improvement mechanisms. The structure presented here (left column) differs from the ISO High Level Structure for Management System Standards, which is based on the "Plan, Do, Check and Act" approach. In our opinion, the description of a management system aligned to the Plan, Do, Check and Act approach has the disadvantage that it obscures the view of the central components of a management system. So, compared to the ISO High Level Structure, the structure developed here has the advantage that it is more universally applicable.

The 20 most relevant elements (right column) form a standard sustainability management system. Due to the proceeding in the project (analysis of relevant frameworks plus expert survey) there is no doubt

that a company, which implements these 20 most relevant elements will have a management system that:

- works well,
- complies with international standards and
- contributes to the fulfilment of sustainability-related customer requirements.

Naturally, one size does not “fit all" as these 20 management elements refer to management systems in large companies. The smaller a company is, the easier it is to get an overview of certain topics and can therefore omit some of these management elements.

And of course, a step-by-step introduction of the management system is possible. The management system begins to work when the first components have been implemented.

Publications

The following publications have been prepared in the project:

study (this publication)	**A Sustainability Management System that meets all Standards** *The present study which documents the scientific work including the empirical results. It is targeting academics in particular. It is also addressed at organizations seeking to create or improve frameworks and at sustainability managers who want to see the results of the expert survey.*
brochure	**Practical Guide for Companies developing a Sustainability Management System** **Guía practica para Empresas que desarrollen un Sistema de Gestión de la Sostenibilidad** *A practical guide summarizing the business-relevant results. It is designed according to the needs of companies. There is a Spanish and an English edition*
real-life examples	**Ejemplos Praxis de Elementos para la Gestión de la Sostenibilidad** **Real-life Examples for Elements of Sustainability Management** *A collection of real-life examples from leading Chilean, Mexican and German companies. This collection illustrates how the essential management elements are designed in practice. The Latin American examples are described in Spanish, the German examples are in English language.*
relevant frameworks	**Frameworks for Sustainability Management briefly described** *Brief descriptions of relevant frameworks and guidelines for sustainability management and reporting.*

The publications are available at *www.4sustainability.de* and *www.wec.org*.

Acknowledgement

We thank all experts who contributed to the success of this project through their participation in the workshops or in the survey. Special thanks also to BASF and Femsa Heineken, to whom we were guests, and to the German Federal Ministry for the Environment for financing the project.

See below the group photos from the workshops in Concepción (Chile), Santiago de Chile, Mexico City and Monterey.

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1 |Background, objectives and procedure

1.1 Background

Over the past 20 years, the requirements for companies to protect the environment and to prevent social grievances have increased significantly. Today corporations are expected to not only design their products and their own production processes sustainably, but also to ensure that their suppliers adhere to minimum standards in environmental protection and working conditions.

Drivers for this development include growing environmental problems, devastating environmental accidents, cases of scandalous working conditions in supply chains, the strengthened role of NGOs, watchdog groups, and, in some regions, a more critical attitude of the population. In addition, investors are placing increasing demands on the companies in which they are active, through frameworks such as the Equator Principles or the UN Principles for Responsible Investment (UN-PRI).

Contributions to competitiveness

The consideration of environmental and social challenges has become relevant to competitiveness: The question is not whether a company must manage these challenges, but how it does so. Many large corporations and some medium-sized companies have already implemented management systems for environmental issues and sustainability.

For many years there have been studies on the advantages associated with sustainability management (e.g. Pohle & Hittner 2008, Loew et al 2010). Managing sustainability in a systematic way essentially helps to reduce environmental and social risks. In some companies, sustainability management even further contributes to innovations and the development of new business areas. The German Ministry for the Environment (BMU 2011) specifies the competitive advantages as listed in Table 3.

Table 3: Sustainability management´s contribution to competitiveness

Reduction of risks and costs • Avoiding risk from non-compliance • Protecting the reputation up to safeguarding the license to operate • Understanding energy and material efficiency potentials • Avoiding wrong strategic decisions
Increase of opportunities and revenues • Attracting and retaining talents • Improving access to capital • Supporting innovations • Contributing to the development of new markets, expanding existing markets

Source: BMU (2011), Institute for Sustainability (2011) (adapted)

Confusing variety of standards

Still many companies do not yet manage all their relevant sustainability aspects in a systematic way. But companies that want to improve in this respect are confronted with a variety of standards, guidance and other requirements. Most common are ISO 14001, the Equator Principles, the GRI Standards and ISO 26000. In Mexico, the certification according to the Industria Limpia standard is also significant. However, again and again new frameworks are created, must recently the OECD Due Diligence

Guidance for Responsible Business Conduct. There are also regional initiatives like the Guía de Sustentabilidad de la BMV and the Sistema de Gestión Ética y Socialmente Responsible (SBU 21). Furthermore, there are initiatives to promote sustainability in the supply chain, such as BSCI, E-TASC and Together for Sustainability.

This variety is confusing, presenting additional barriers to companies to understand which framework is best suited for them, in addition to trying to identify which of the requirements the company has already met. This raises the question of how to establish an internal well-functioning and lean sustainability management system regardless of a certain framework.

1.2 Objective: To determine the most important elements of a good sustainability management system.

The aim of our research was to identify the most important elements of a sustainability management system. These management elements should enable companies to design their sustainability management system in a way, that it contributes to a better performance of the company and that it also meets the various external requirements to a large extent.

A clear understanding of the fundamental components of a well-functioning sustainability management system is of value in several ways:

- Experiences of advanced companies are made accessible because their knowledge is incorporated into this collection of most important management elements.
- Companies with a sustainability management system in place can check how they can improve it.
- Companies that currently consider sustainability issues on a selective and ad hoc basis can set up a management system that is both useful and compatible with the usual external requirements (e. g. from customers).
- The standard structure and the management elements identified help to compare the requirements of any new standard with existing frameworks.

1.3 Proceeding in the project

In order to identify the most important elements of a sustainability management system, the present study systematically compares relevant frameworks such as ISO 14001, ISO 26000, GRI, and others. Based on this comparison, relevant elements of a sustainability management system are derived.

But most of the important frameworks are not designed for the purpose of a management system. Therefore, we had to investigate the needs and experience of companies. For this purpose, we organized four round tables in Chile and Mexico where the current developments and challenges of sustainability management and the application of frameworks were discussed. These four round tables took place in

- Santiago de Chile (April 10, 2018),
- Concepción (Chile) (April 12, 2018),
- Mexico City (April 24, 2018) and
- Monterrey (Mexico) (April 26, 2018).

The roundtables in Mexico differed in several respects from roundtables in Chile. While in Chile, mainly board members and managing directors participated, in Mexico mainly sustainability officers took part

in the roundtables. Thus, the project has the advantage that sustainability management was viewed both from the board-perspective and from the perspective of the sustainability managers responsible for operations. As a result, the topics discussed in Chile varied from the topics discussed in Mexico.

In June 2018 the participating company experts, as well as sustainability managers from the headquarters of leading German companies, participated in an online survey evaluating the usefulness of the management elements identified in the frameworks.

The results of the survey, combined with the results of our desk-top analysis, provided the compilation of the twenty most relevant elements of sustainability management from these frameworks.

Publications

The following publications have been prepared in the project:

Study (this publication)	**A Sustainability Management System that meets all Standards** *The present study which documents the scientific work including the empirical results. It is targeting academics in particular. It is also addressed at organizations seeking to create or improve frameworks and at sustainability managers who want to see the results of the expert survey.*
brochure	**Practical Guide for Companies developing a Sustainability Management System** **Guía practica para Empresas que desarrollen un Sistema de Gestión de la Sostenibilidad** *A practical guide summarizing the business-relevant results. It is designed according to the needs of companies. There is a Spanish and an English edition*
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2 | Preliminary considerations

2.1 Focus on Frameworks

There is quite a number of ecological, ethical and social requirements addressed to companies. Some of these requirements have long been accepted, others are still being discussed controversially and some are seen as rather exotic. For the relevance of the results of our research, it was important to focus on frameworks that are recognized at least by experts. Therefore, the analysis was based on international standards, guidelines and directives of internationally respected organizations. In reference to the wording of the European Commission (2014), the term "frameworks" is used for these catalogues of requirements. Examples of frameworks are the ISO 26000, the GRI Standards or the OECD Guidelines for Multinational Enterprises.

The requirements of individual companies on their customers are not intended to serve as a general

reference for companies. Therefore, these requirements are no frameworks.

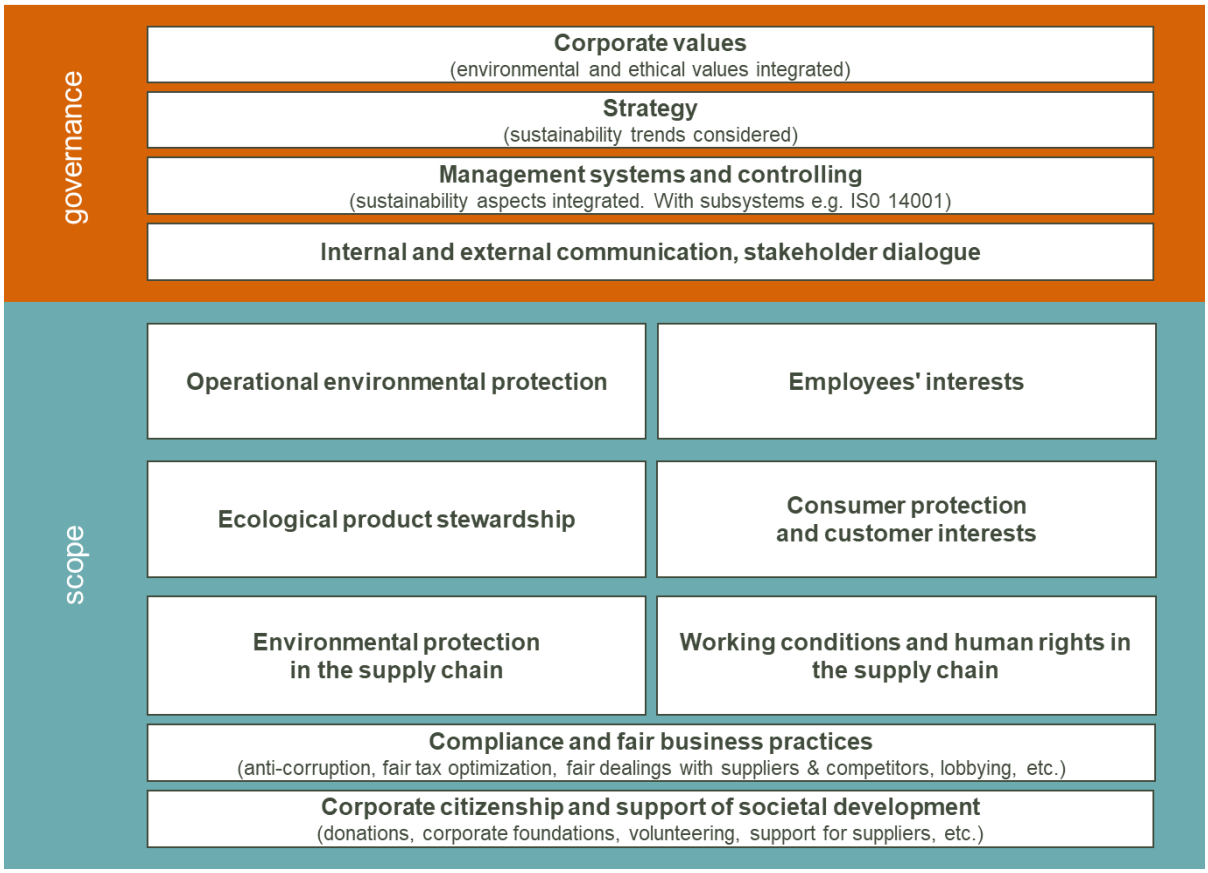
The approaches “shared value” and “cradle to cradle” outline business models. They are not a compilation of requirements to be used by companies in general, so they aren’t frameworks either.

2.2 Areas of operations/activities of sustainability management

When comparing important frameworks such as the already mentioned ISO 26000, the GRI Standards or the OECD Guidelines for Multinational Enterprises it becomes apparent that, while the same topics are addressed repeatedly across these frameworks, very different structures are used, due in large part to the different perspectives of the organizations (e. g. OECD, GRI, ILO) that have drawn up these frameworks.

In order to better identify the differences and similarities, it is helpful to use the fields of action for sustainability management developed by Loew and Braun (2006, 2009) – shown in Figure 1- as a basis (cf. also BMU 2006).

Figure 1: Fields of action of sustainability management



Source: Loew Braun (2009), slightly modified

The structure is geared to the usual business functions of a company. The thematic areas, as noted in

the above figure as part of “scope” are structured according to

- Production: Operational environmental protection, employees` interest
- Product and sales: Ecological product stewardship as well as consumer protection and customer interests,
- Procurement: Environmental protection as well as working conditions and human rights in the supply chain,
- Cross-cutting aspects: Including fair trade and business practices and civil engagement.

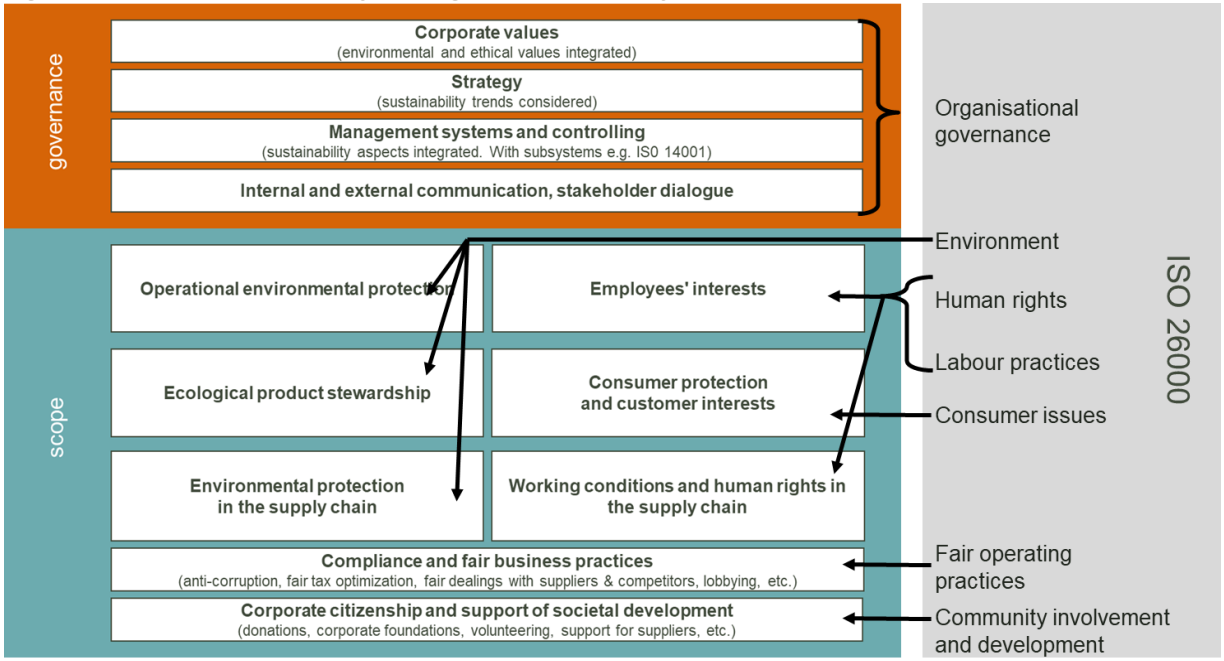
To achieve improvements in these areas an appropriate corporate governance that includes corporate values, a strategy, management systems and communication is necessary. In order to make the sustainability-related components of corporate governance tangible, they are often presented separately as, for example, sustainability values, sustainability strategies, sustainability management systems, sustainability communication, etc. This is the case both in theory and in corporate practice.

However, sustainability related values should be integrated into the general corporate values, and relevant ecological and social aspects must be taken into account in the classic strategic areas (e. g. competitive strategy, portfolio strategy, HR strategy).

Similarly, a company should integrate its sustainability management, into its overall management system that consists of different subsystems e.g. for quality, health, hygiene environment, etc.

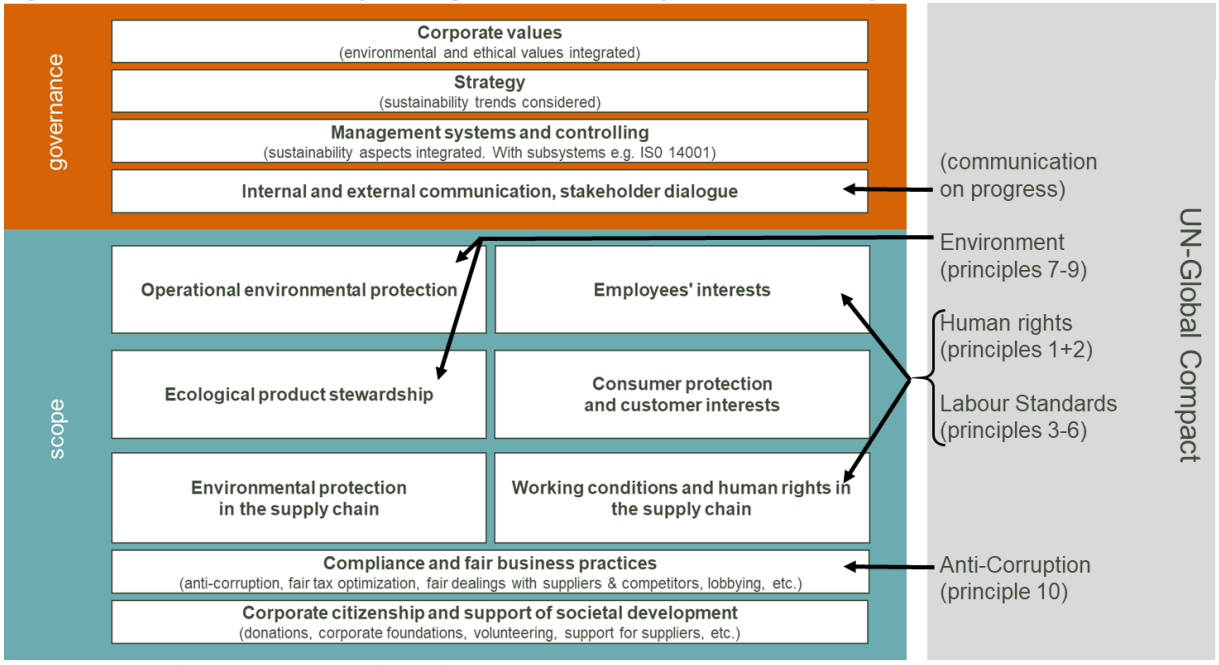
The following figures 2 to 4 show that this structure can be applied to all frameworks in the area of sustainability management. For each framework it is easy to see whether it covers all topics of sustainability management or only a selection. Thus, the structure is also suitable as a basis for comparisons, for the creation of bridge documents or even for harmonizing frameworks.

Figure 2: Areas of sustainability management covered by ISO 26000



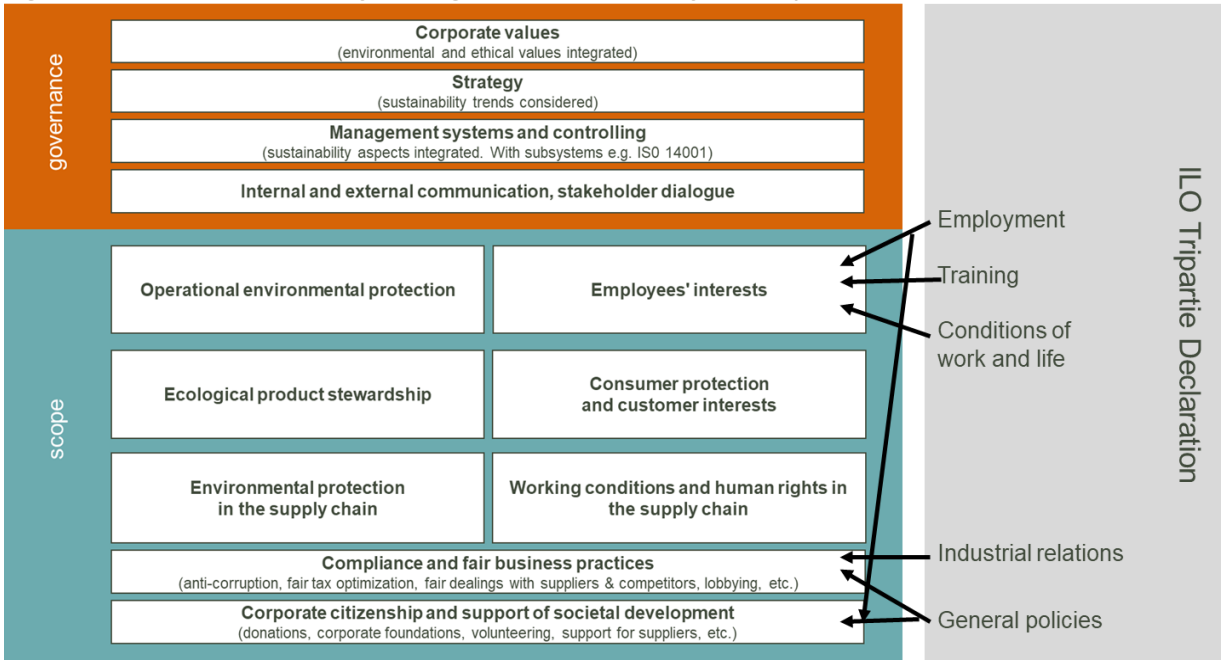
Source: Based on Loew Braun (2009)

Figure 3: Areas of sustainability management covered by UN Global Compact



Source: Based on Loew Braun (2009)

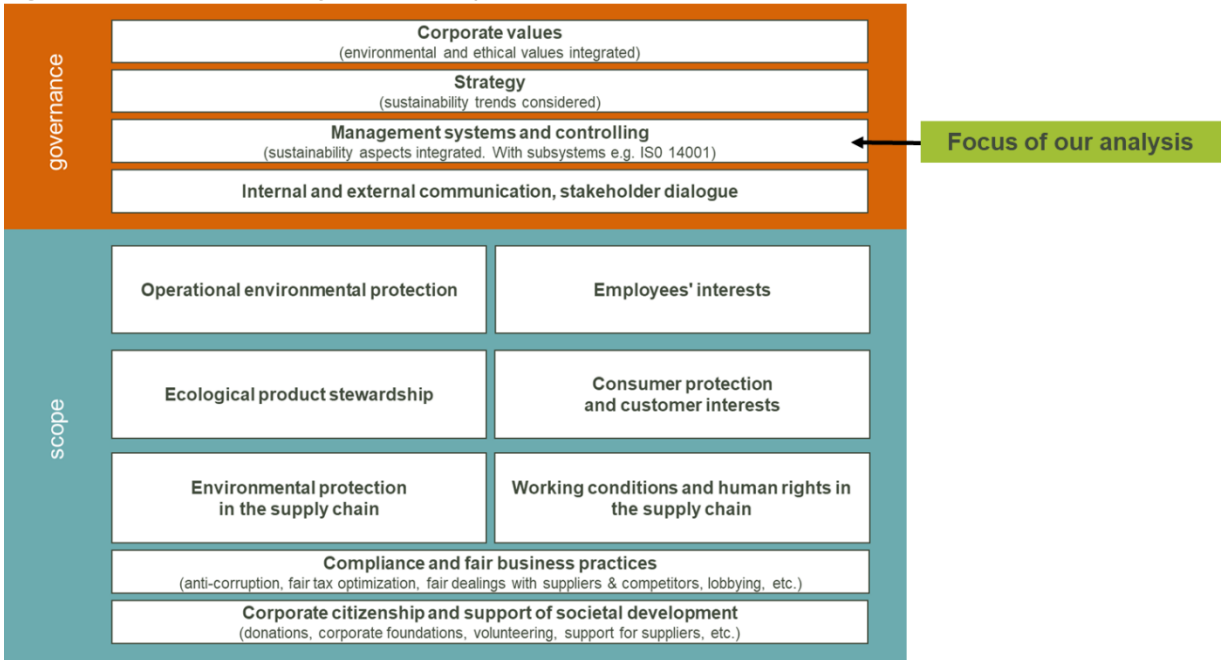
Figure 4: Areas of sustainability management addressed by ILO Tripatriate Declaration



Source: Based on Loew Braun (2009)

Finally, Figure 5 illustrates that the focus of the analysis done was the sustainability management system. As it will become clear, the adjacent areas of communication and dialogue, and strategy are also addressed in the frameworks.

Figure 5: Focus of the analysis in this report



Source: Based on Loew Braun (2009)

3 | Selection of frameworks

There is no complete compilation of the large and constantly growing number of requirement catalogs addressed to companies. Therefore, we made our own compilation of relevant frameworks. The goal was to identify a significant number of the relevant frameworks through the following steps performed:

- Step 1: Assembling the framework
- Step 2: Sorting the frameworks
- Step 3: Focusing on frameworks for management systems
- Step 4: Final selection of frameworks for comparison

Step 1 and step 2 are used to collect all frameworks and get an overview. In step 3 and step 4, frameworks, that are not or less relevant for our purpose are sorted out in order to focus on the most relevant ones.

Step 1: Assembling the frameworks

As a first step, important frameworks were put together according to the European Commission and the project team's experts. The following sources were included:

- **Relevant frameworks from the European Commission's point of view.** In 2017, the European Commission published a communication on non-financial information reporting (EU Communication EU C (2017) 4234). In this communication, the Commission names 21 frameworks which it believes may be relevant in the context of non-financial reporting. These are not only reporting frameworks.

- **Additional relevant frameworks for Chile and Mexico:** In addition to the internationally relevant frameworks from the point of view of the EU, the experts from APLE[1] and CESPEDES[2] (local project partners in both countries) and participants of the workshops indicated frameworks that are equally relevant for companies in Chile and/or Mexico. Amongst these, reference was made to the Equator Principles and to the Industria Limpia programme that includes the Mexican standard NMX-AA-162-SCFI-2012.
- **Further potentially relevant frameworks:** Finally, the experts at WEC[3] and the Institute for Sustainability[4] added further frameworks that they find especially relevant such as the Sustainable Development Goals' SDG Compass, because it describes how companies should proceed in order to consider the SDGs.

The "Requirements of multinational companies to their suppliers" were mentioned by CESPEDES and we included them as a reminder. These requirements are not a framework, therefore including them in our table is inconsistent from a methodological point of view. However, for many companies in Latin America, such supplier requirements are more important than prominent frameworks and therefore it is very important to take these supplier requirements into account. Some frameworks such as ISO 14001 or parts thereof are subject to supplier requirements. Besides individual supplier requirements there are more and more sector approaches (e.g. Together for Sustainability) and raw material approaches (e.g. Aluminum Stewardship Initiative) in order to improve sustainability in the supply chain.

The resulting collection of frameworks is shown in Table 3.

[1] APLE (Sustainability Consulting for the Industry) is located in Santiago de Chile, dedicated to providing specialized advice in sustainability, *www.aple.cl*.

[2] CESPEDES is the sustainability section of the Mexican Business Coordinating Council (CCE), an organization that brings together and coordinates the interests of the private sector in Mexico, *www.cespedes.mx*.

[3] The World Environment Center (WEC) supports its globally operating member companies to develop and implement sustainable business practices, *www.wec.org*.

[4] The Institute for Sustainability is a Berlin-based think-tank which provides research and consulting in sustainability management and in sustainability reporting, *www.4sustainability.de*.

Table 4: Frameworks assembled

source / focus	Framework
European Union: international relevance	• CDP Reporting Requirements (This is not an explicit framework) (CDP was formerly Carbon Disclosure Project) • CDSB Framework for reporting environmental information & natural capital (Climate Disclosure Standards Board) • OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk areas (Organization for Economic Co-operation and Development) • EU Eco-Management and Audit Scheme (EMAS) (European Union) • EFFAS KPIs for Environmental, Social, Governance (ESG), a Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation (European Federation of Financial Analysts Society) • GRI Standards (Global Reporting Initiative) • FAO-OECD Guidance for Responsible Agricultural Supply Chains (UN-Food and Agriculture Organization, OECD) • FRC Guidance on the Strategic Report (Financial Reporting Council (UK)) • OECD Guidelines for Multinational Enterprises • UN Guiding Principles Reporting Framework (for reporting on Business and Human Rights) (United Nations) • ISO 26000 Guidance on social responsibility • IIRC International Integrated Reporting Framework (International Integrated Reporting Council) • SSE Model Guidance on reporting ESG information to investors (UN Sustainable Stock Exchanges Initiative) • Natural Capital Protocol (Natural Capital Coalition) • EU Product Environnemental Footprint Guides (European Comission) • EU Organisation Environnemental Footprint Guides (European Comission) • SASB Standards (Sustainability Accounting Standards Board) • The Sustainability Code (German Council for Sustainable Development) • ILO Tripartite Declaration of principles concerning multinational enterprises and social policy (International Labor Organization) • UN Global Compact • UN Sustainable Development Goals. Resolution of 25 September 2015 transforming our world: the 2030 Agenda for Sustainable Development • UN Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework
Mexican experts: Frameworks added due to relevance for Mexican companies	• NMX-AA-162-SCFI-2012 Metodología para realizar auditorias y diagnósticos (used for Industria Limpia Certification) (Secretaría de Economía) • Guía BMV. Guía de sustentabilidad de BMV para el desarrollo sustentable de las empresas en México (Bolsa Mexicana de Valores = Mexican Stock Exchange) • AIAG Supplier Sustainability Self-Assessment (Global Automotive Industry) • *Requirements of multinational companies to their suppliers (not a framework)*
Chilean experts: Frameworks added due to relevance for Chilean companies	• AVM Sistema de Gestión de Proyectos Estratégicos[5] (Alianza Valor Minero) • B Corporation (B-Lab) • Certfor (Sistema Chileno de Certificación de Manejo Forestal Sustentable) (Member of PEFC) • Conducta responsable - Responsible Care (Asociación Gremial de Industriales Químicos de Chile ASIQUIM / International Council of Chemical Associations (ICCA) • Equator principles (The Equator Principles Association)

5 *http://www.valorminero.cl/sigepe/*

	• FSC (FSC International) • Great place to work (Great Place to Work® Institute.) • Sello S de Turismo sustentable (Mesa Nacional de Sustentabilidad Turística)
German experts: Frameworks added due to international relevance or methodical considerations	• ISO High Level Structure for Management System Standards • ISO 14001 • SGE 21 Sistema de Gestión Ética y Socialmente Responsable (forética) • Social Accountability 8000. (SA 8000:2014) (Social Accountability International (SAI) • BMU Verantwortung neu denken: Risikomanagement und CSR [Rethinking responsibility: risk management and CSR] (German Ministry for the Environment, Nature Conservation and Nuclear Safety) • UN Guiding Principles on Business and Human Rights • PricewaterhouseCoopers (2010) Unternehmerische Verantwortung praktisch umsetzen: Nachhaltigkeitsmanagement. (Germany) [Putting corporate responsibility into practice: Sustainability management. (Germany)] • UN, GRI, WBCSD SDG Compass. The Guide for Business Action on the SDGs • OECD Due Diligence Guidance for Responsible Business Conduct (Draft 2.1) • UN Principles for Responsible Investment • TCFD Recommendations of the Task Force on Climate-related Financial Disclosures (Task Force on Climate-related Financial Disclosures) • *Sustainability ratings (e. g. oekom research, Vigeo, etc.) and indices (e. g. FTSE4good, DJSI) (no frameworks)* Requirements to suppliers - sector approaches or cross sector initiatives e.g.: ○ BSCI (cross sector, nucleus retail) ○ E-TASC. Electronics-Tool for Accountable Supply Chains ○ PSCI Pharmaceutical Supply Chain Initiative ○ TfS Together for Sustainability (Chemical Industry) ○ EcoVadis Supplier Sustainability Ratings (cross sector, often chemical industry) Requirements to suppliers - Raw material approaches, e.g. ○ SAI Sustainable Aluminum Initiative ○ The Conflict Free Smelter Program ○ Better Cotton Initiative ○ Bonsucro ○ Roundtable on Sustainable Palm Oil (RSPO) ○ Marine Stewardship Council (MSC)

The compilation does not claim to be complete although it is assumed to contain most of the relevant frameworks. For the subsequent analyses, the compilation was sufficient.

Step 2: Sorting the frameworks

The compilation contains frameworks with different orientations and objectives. Many of them do not explicitly refer to sustainability management. In order to get a better overview, they were sorted according to the areas of application and broken down into the following categories:

Management: These frameworks refer to the management of companies. Requirements are defined for the company's behavior (e.g. compliance, adherence to labor standards, avoidance of environmental pollution) or for organizational provisions, i.e. the management system.

Reporting: The purpose of these frameworks is reporting, mostly sustainability reporting. They often include requirements for reporting on the management system.

Supply chain: Politics and international corporations are striving to avoid grievances regarding supply chains. In the last fifteen years several industry approaches have been developed (e. g. Together for Sustainability of the chemical industry). Accordingly, there are now many catalogues of sustainability related requirements to be considered by suppliers. In some cases, suppliers are required to implement

management systems (e. g. ISO 14001) or parts of them.

Product certification: Product certification systems are in place to demonstrate to customers (companies and consumers) that products have been manufactured in an eco-friendly and socially responsible manner. These certification systems are based on requirement catalogs, some of them including organizational requirements. Hence from the point of view of a company wishing to have its products certified, these organizational requirements work as a management standard.

Financial sector: The category "Financial Sector" is a logical break from the above categories, because it focusses on a sector and not on an area like reporting or management. Of course, there are frameworks for management, reporting and product certification in the financial sector too. Nevertheless, it is helpful to display the frameworks of the financial sector separately, as in some cases they have significantly fewer overlaps than frameworks of different sectors of the producing industries (Realwirtschaft) (eg. chemical industry, automotive industry, transport, agriculture). There are also important UN frameworks for the financial sector, but not for individual sectors of the real economy.

Other: The category **"**other" includes the UN Sustainable Development Goals because they do not relate solely to companies and cannot be assigned to one of the above-mentioned areas. There are various reasons, why some relevant frameworks cannot be allocated to one of the categories above.

Table 5: Classification of the frameworks according to scope

Scope	Framework
Management	*International* • ISO 14001 Environmental management systems. Requirements with guidance for use • ISO 26000 Guidance on social responsibility • ISO High Level Structure for Management System Standards • OECD Due Diligence Guidance for Responsible Business Conduct (Organisation for Economic Co-operation and Development) • OECD Guidelines for Multinational Enterprises • UN Global Compact (United Nations) • UN Guiding Principles on Business and Human Rights • ACC Responsible Care Management System (American Chemistry Council) • B Corporation (B-Lab) • SDG Compass. The Guide for Business Action on the SDGs (UN, GRI, WBCSD) • Social Accountability 8000:2014 (Social Accountability International) *Regional* • BMU Verantwortung neu denken: Risikomanagement und CSR [Rethinking responsibility: risk management and CSR] (German Ministry for the Environment, Nature Conservation and Nuclear Safety) • EU Eco-Management and Audit Scheme (EMAS) (European Union) • Guía BMV. Guía de sustentabilidad de BMV para el desarrollo sustentable de las empresas en México (Bolsa Mexicana de Valores = Mexican Stock Exchange) • NMX-AA-162-SCFI-2012 Metodología para realizar auditorias y diagnósticos. (used for Industria Limpia Certification in Mexico) (Secretaría de Economía) • PricewaterhouseCoopers (2010) Unternehmerische Verantwortung praktisch umsetzen: Nachhaltigkeitsmanagement. (Germany) • SGE 21 Sistema de Gestión Ética y Socialmente Responsable (Forética)
Reporting	*International* • CDP Reporting Requirements. (CDP was formerly Carbon Disclosure Project) • CDSB Framework for reporting environmental information & natural capital (Climate Disclosure Standards Board)

	• GRI Standards (Global Reporting Initiative) • IIRC International Integrated Reporting Framework (International Integrated Reporting Council) • UN Guiding Principles Reporting Framework (for reporting on Business and Human Rights) (United Nations) • SSE Model Guidance on reporting ESG information to investors (UN Sustainable Stock Exchanges Initiative) • TCFD. Recommendations of the Task Force on Climate-related Financial Disclosures (Task Force on Climate-related Financial Disclosures) *Regional* • EFFAS KPIs for Environmental, Social, Governance (ESG), a Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation (European Federation of Financial Analysts Society) • FRC Guidance on the Strategic Report (Financial Reporting Council (UK)) • SASB Standards (Sustainability Accounting Standards Board) • The Sustainability Code (German Council for Sustainable Development)
Supply Chain	*International Guidance* • OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk areas (Organization for Economic Co-operation and Development) • FAO-OECD Guidance for Responsible Agricultural Supply Chains (UN-Food and Agriculture Organization, OECD) *International Business approaches* • company specific requirements • sector approaches or cross sector initiatives (e.g. BSCI, E-TASC, EcoVadis, AIAG Supplier Sustainability Self-Assessment) • Raw material approaches, e.g. (SAI Sustainable Aluminium Initiative, Better Cotton Initiative) There are many more frameworks with requirements intended to be applied on suppliers or on the whole supply chain. In some industry sectors companies require certain elements of management systems or full management systems such as ISO 14001. In other sectors, only performance requirements exist (e.g. compliance to local laws, adherence to core labor standards) are demanded.
Product Certification	• FSC (FSC International) • Certfor (Sistema Chileno de Certificación de Manejo Forestal Sustentable, Chile) (Member of PEFC) • Sello S de Turismo sustentable (Mesa Nacional de Sustentabilidad Turística) There are many more frameworks for product certification. There is an overlap with supplier and supply chain requirements.
Financial sector	• Equator principles (The Equator Principles Association) • UN Principles for Responsible Investment (United Nations)
Other	*International* • ILO Tripartite Declaration of principles concerning multinational enterprises and social policy (International Labour Organisation) • UN Sustainable Development Goals • Great place to work (Great Place to Work Institute) • Natural Capital Protocol (Natural Capital Coalition) • EU Product Environmental Footprint (PEF) Guide (European Comission) • EU Organisation Environmental Footprint (OEF) Guide (European Comission) • *Sustainability ratings (e.g. oekom-research, Vigeo) and indices (e.g. FTSE4good, DJSI) (no frameworks)* *Regional* • AVM Sistema de Gestión de Proyectos Estratégicos (Alianza Valor Minero, Chile)

Step 3: Focusing on frameworks for management systems

To identify typical elements of sustainability management systems, obviously frameworks for management systems are especially relevant. Therefore, all frameworks for management systems were included in the next selection step.

In addition, three frameworks which are not designed to set up a sustainability management were also taken into account:

- GRI Standards: The GRI Standards are the most important international framework for sustainability reporting (e.g. KPMG 2017). In addition to performance indicators and evaluations, they also require the description of the sustainability management.
- Equator Principles: The Equator Principles are applied by relevant financial service providers on their engagement in major projects in Chile and generally in Latin America (project finance). The principles include several management requirements that projects must meet in order to avoid negative social and environmental impacts.
- AIAG Supplier Sustainability Self-Assessment: participants of the workshops in Mexico stated that this checklist from the Automotive Industry Action Group (AIAG) is quite relevant to their industry.

The sustainability related requirements that large companies place on their suppliers are considered in a separate section (chapter 7).

A sample framework for product certification was not included in the analysis because it can be assumed that no additional insights would be gained. Furthermore, the requirements for product certification are very diverse so a detailed examination (beyond the scope of this study) would be necessary in order to clarify which certification system can be regarded as a relevant example.

Step 4: Final selection of frameworks for comparison

For the frameworks remaining after the previous selection step it was assessed as to whether the following criteria are met:

- **Global relevance:** Here an assessment was made whether the framework is of global relevance.
- **Relevance in Mexico or Chile:** These include frameworks that are relevant in Chile or Mexico only. In the case of globally relevant frameworks, it is assumed that they are already relevant, so their local relevance was not assessed.
- **Actuality (attention in the current debate):** An assessment has been made whether the framework is currently receiving attention in the political and technical debate. It is assumed that there is a demand for information on such frameworks.
- **Inherent experiences:** Frequently used frameworks which have been updated several times are likely to contain the experience of companies and other experts. This is not the case with new or less common frameworks.
- **Management system requirements:** This criterion refers to whether the framework contains requirements for the sustainability management system (e.g. responsibilities, policies).

Table 6: Selection of frameworks

	Global relevance	Local relevance in Mexico or Chile	Actuality (attention in current debate)	Inherent experiences	Management system requirements	**Selected for the analysis**
ISO 14001	X			X	X	**X**
EMAS - EU Eco-Management and Audit Scheme	(X)			X	X	**X**
ISO High Level Structure for Management System Standards	X			X	(X)	**X**
ISO 26000	X			?	X	**X**
OECD Due Diligence Guidance for Responsible Business Conduct	X		X	?	X	**X**
OECD Guidelines for Multinational Enterprises	X		X	X		
UN Guiding Principles on Business and Human Rights	X		X	?	X	**X**
SDG Compass. The Guide for Business Action on the SDGs (UN, GRI, WBCSD)	?		X	?	X	**X**
GRI Standards	X		X	X	(X)	**X**
Equator Principles	X		?	?	X	**X**
Sustainability Management (BMU 2011) (PwC 2010)				X	X	**X**
SGE 21. Sistema de Gestión Ética y Socialmente Responsable				X	X	**X**
SA 8000 - Social Accountability 8000	X			X	X	**X**
NMX-AA-162-SCFI-2012 Auditoria Ambiental[6]		X		X	X	**X**
Guía de sustentabilidad de la BMV		X			X	**X**
AIAG Supplier Sustainability Self-Assessment	X		X	X	X	**X**
ACC Responsible Care Management System	X			X	X	
B Corporation	X	X			X	
UN Global Compact	X			X	(X)	

6 NMX-AA-162-SCFI-2012 (2013) Auditoria ambiental – metodología para realizar auditorías y diagnósticos, ambientales y verificaciones de cumplimento del plan de acción determinatión del nivel de desempeno ambiental de una empresa evalucatión del desempeno de auditores ambientales. México, D.F. (Download) *http://www.profepa.gob.mx/innovaportal/file/3946/1/nmx-aa-162-scfi-2012.pdf*

Explanation to selection decisions made

Some of the prominent frameworks were not selected for comparison due to the following reasons:

- OECD Guidelines for Multinational Enterprises: Not used for the comparison, because the selected *OECD Due Diligence Guidance* is the corresponding management framework.
- B Corporation. Although B Corporation claims to be globally relevant, this framework is not really relevant in Europe and in Latin America. The framework is of some importance in Chile.
- UN Global Compact: The UN Global Compact is very relevant internationally, but the ten principles do not contain explicit requirements regarding organizational provisions. In the requirements on the communication of progress, it is only stated that participants have to report on "relevant policies, procedures, activities" that the company has taken or plans to undertake.
- ACC Responsible Care Management System: The Responsible Care Management System Standard of the American Chemistry Council (ACC) is very similar to ISO 14001. It is covered with ISO 14001.

Not all frameworks selected for our analysis meet all criteria (see Table 6 above). For example, some frameworks receive less attention in current debates, such as ISO 14001, so they do not meet the criteria "actuality". But even though they are less discussed these days, these frameworks are still important.

By comparing so many different frameworks, we were able to more accurately assess that requirements in new frameworks overlap with the corresponding requirements of established standards to a large extent.

4 | Elements of sustainability management and their use in relevant frameworks

4.1 General elements of management systems

From the analysis[7] of the most relevant frameworks for environmental management, social aspects and sustainability, we derived the fundamental elements of management systems. The result is presented in the following Table 6. The identified management elements are divided into the following areas:

- Policies and rules
- Organizational structure
- Processes
- Continuous improvement
- Communication
- Verification
- Preparatory tasks
- Further requirements

Since several sustainability management frameworks also define requirements regarding strategy, strategy-related requirements were also taken into account. However, it must be pointed out that strategies are not part of a management system and is therefore separated from the other areas.

It is also necessary to question whether communication is part of a management system. Certain parts of internal communication, on environmental protection measures, for example, are crucial to the proper functioning of a sustainability management system, while external communication and reporting are typically not part of the management system. But a distinction between the types of communication that are and are not relevant to the management system would be overcomplicated. Furthermore, many frameworks contain requirements related to communications and these contribute significantly to the functioning of the management system. As a result, the area "communication" was not separated from the other areas.

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[7] The analysis is documented in a separate annex with the title *"Comparison of Management Frameworks: Tables with direct Quotations from the Frameworks"*.

The frameworks analyzed are described in a separate publication called *"Frameworks for sustainability management briefly described"*. The reason for providing a separate pdf is the better findability on the Internet (SEO), especially for sustainability managers from companies. In addition, it is also possible to make specific reference to this publication.

Both publications are available at *www.wec.com* and *www.4sustainability.de*.

Table 7: General elements of management systems (not only regarding sustainability)

Area	*General management elements*
Strategy	Integrated strategies Separate strategies
Policies and rules	Policy Code of conduct Commitment to external codes
Organisational structure	Responsibilities within the executive board Responsibilities within senior management Sustainability council Sustainability officer Sustainability department Departmental sustainability officers Working groups
Processes	Integration in business processes Compliance Information management on sustainable topics
Continuous improvement	Monitoring / performance evaluation with sustainability indicators Management of ESG risks Internal audits Management review Internal projects Measures and goals (sustainability work program, progress tracking) Suggestion scheme Grievance mechanisms Training
Communication	Internal communication Leadership and commitment Rising awareness Sustainability reporting Stakeholder dialogue Stakeholder engagement
Verification	External audit Certification
Preparatory tasks	Understanding the organisation and its context Understanding the needs of interested parties Determining the relevant aspects Determining scope of management system Establishing the management system
Further requirements	Documentation Provision of resources needed

For experts, the management elements identified might not be particularly surprising. It is well known that management systems consist of an interaction between policies, responsibilities, processes and improvement mechanisms.

However, the structure presented here differs from the ISO High Level Structure for Management System Standards, which is based on the "Plan, Do, Check and Act" approach. In our opinion, the alignment of the description of a management system with the Plan, Do, Check and Act approach has the disadvantage that it obscures the view of the central components of a management system. In order

to organize and control the core business functions, such as procurement, production or shipping, it is necessary to define the processes, responsibilities and control instruments. The focus here is on reliability, efficiency and controllability. Of course, improvement processes take place there, both incrementally and as part of projects initiated for this purpose. But the management structure is not explicitly geared to this. Implicitly, improvements are part of the tasks of the management system. In order to make comparisons and communication easier the way a management system for core processes is described should be also used for describing other management systems such as sustainability management.

So, compared to the ISO High Level Structure, the structure developed here has the advantage that it is more universally applicable. We therefore assume that this structure can also be better communicated to managers.

Still it is important to implement safeguards that help to achieve continuous improvements in environmental and social aspects, and therefore nearly all frameworks analyzed require respective instruments and procedures. They are allocated to the area "Continuous improvement".

Although only frameworks for management systems on environmental protection, social aspects and sustainability were analyzed, the management elements derived are also used in management systems for other topics. For example, the management elements in ISO 14001 are very similar to the management elements in ISO 9001. We believe that the management elements identified in this study are universal and can be used to design management systems for broader functions (quality, health, purchase). This includes due diligence processes, as we also considered the OECD Due Diligence Guidance for Responsible Business Conduct. The difference between a management system and due diligence is that due diligence refers to a process which has got a starting and a finishing point, whereas a management system works ongoing.

2.2 Management elements required by the frameworks

The next question we addressed is the frequency that these management elements are required by the frameworks. Table 7 shows which management element is required by which framework, elucidating, for example, that most frameworks require a policy whereas a code of conduct is only required by some of the sustainability management frameworks. A brief summary follows to provide a clear overview of the full table.

There are two frameworks with some particularities that need to be mentioned for better understanding.

The ISO High-Level Structure does not establish requirements, but "only" specifies a structure to be used for the creation of ISO management standards. When existing ISO standards for management systems are updated, they are adapted to this High-Level Structure. This has already been done with ISO 14001. By taking into account the ISO High-Level Structure in the analysis, many other ISO standards for management systems are therefore covered indirectly.

With regards to the Equator Principles, it is important to distinguish between the requirements placed on the financial institution that committed itself to the principles and the requirements that this institution must place on the large-scale projects that it finances. The requirements that have to be placed on the large-scale projects (or more precisely on the leading company working in them), define key management elements. To reflect the two different points of view, we divided the requirements from the Equator Principles into lender and beneficiary. Table 7 therefore contains two columns for the Equator Principles.

Table 8: Management elements required or recommended in each framework

	ISO High Level Structure	ISO 14001 / EMAS	NMX-AA-162	SA8000	UN Business & Human Rights	ISO 26000	SGE 21 Sistema de Gestión	GRI Standards	BMU / PwC Sus.-Management	EQ Principles / lender[8]	EQ Principles / beneficiary	OECD Due Diligence	Guía BMV Sustentabilidad	SDG Compass	AIAG Supplier Self Assessment
Strategy															
Integration in strategies / separate strategies						X		X	X			(X)	X		
Policies & Rules															
Policy	X	X	X	X	X	X	X	X	X	X		X	X		X
Code of conduct						X	X					X	X		X
Commitments to external codes								X						X	X
Orga. Structure															
Responsibilities within the executive board	(X)	(X)	(X)		(X)	X		(X)	X		(X)	X	X		(X)
Responsibilities within senior management	(X)	(X)	(X)	X	(X)	(X)		(X)		X	(X)	X	X		(X)
Sustainability council				X			X	(X)	X				X		
Sustainability officer	X	X					X	(X)	X	X			X		(X)
Sustainability department						X		(X)	X	X					
"Departmental Sustainability Officers"								(X)	X			X			
Working Groups								(X)	X			X	X		
Processes															
Integration in business processes	X	X	X	X	X	X		X	X	X	X	X		X	X
Compliance		X	X		X				X		X	(X)	X		X
Information management on sustainability topics									X			X			

X	Management element is addressed explicitly (e.g. "Assign board level responsibilities" (OECD Due Diligence Guidance)
(X)	Management element is addressed implicitly (e.g. "Top management shall ensure that the responsibilities and authorities for relevant roles are assigned within the organization" (ISO 14001)

[8] The principles define standards both for the financial institution applying them and for the projects which the financial institution is funding.

Table 8: Management elements required or recommended in each framework (continuation)

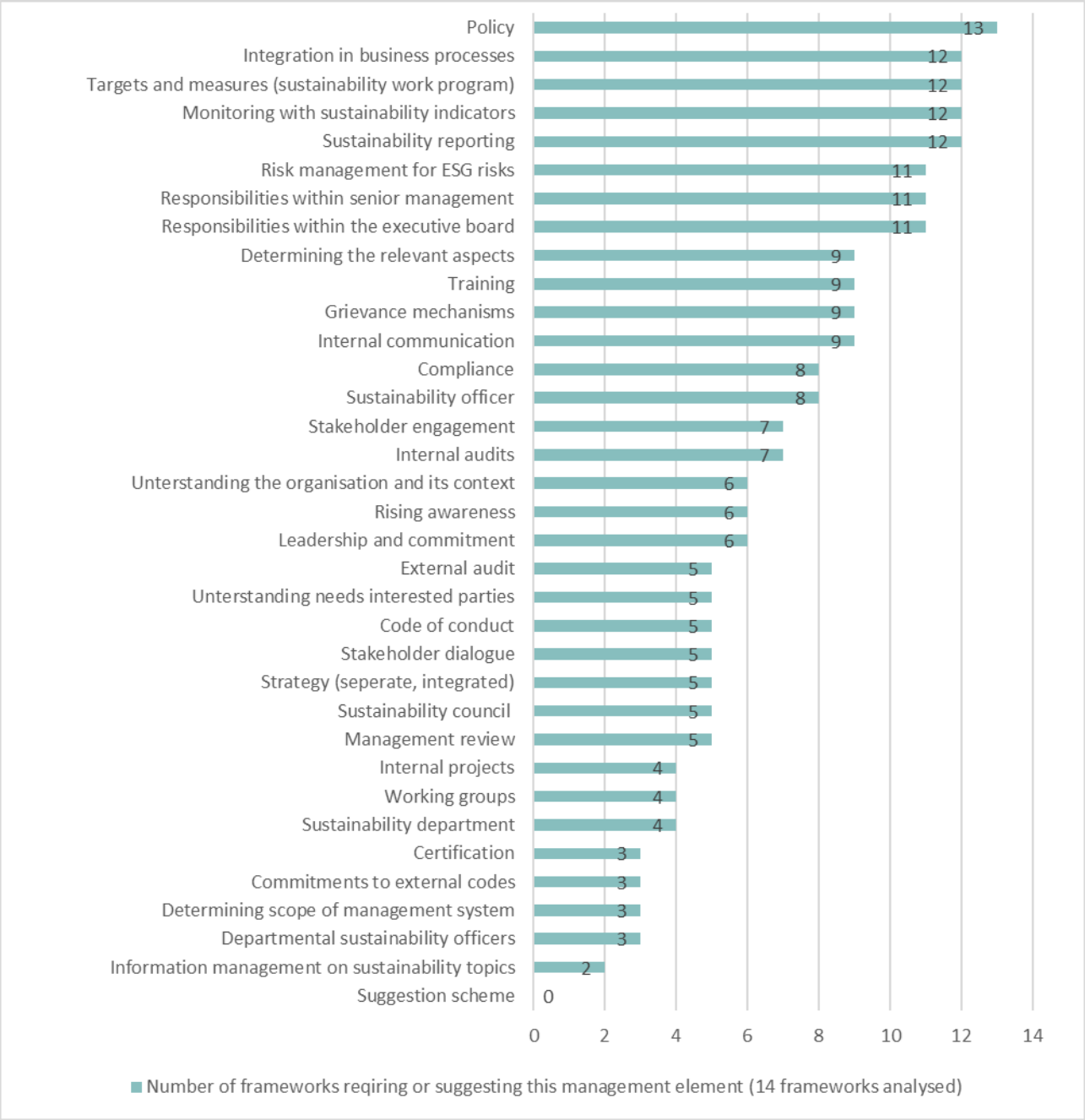
	ISO High Level	ISO 14001 / EMAS	NMX-AA-162	SA 8000	UN Business & Human Rights.	ISO 26000	SGE 21	GRI Standards	BMU/ PwC	EQ Principles / lender	EQ Principles / beneficiary	OECD Due Diligence guida.	Guía BMV	SDG Compass	AIAG Supplier Self Assessment
Improvement															
Monitoring / performance evaluation with sustainability indicators	X	X	X	X	X	X		X	X			X	X	X	(X)
Risk management for ESG risks	X		X	X	X	X	X		X	X		(X)	X		X
Internal audits	X	X		X			X			(X)			X		X
Management review	X	X		X			X								(X)
Internal projects			X					X	X				X		
Targets/goals and measures	X	X	X			X	X	X	X		X	X	X	(X)	X
Suggestion scheme															
Grievance mechanisms	X	X		X	X			X			X	X	X		X
Training		X	X	X	X	X				X		X	X		X
Communication															
Internal communication	(X)	X	(X)	X	X	(X)						X	X		(X)
Leadership and Commitment	X	X				X						X	(X)		(X)
Rising awareness	X	X	X			X							X		(X)
Sustainability reporting	(X)	X EMAS			X	X	X	X	X	x	X	X	X	X	(CO_2)
Stakeholder dialogue					X	X	X		X				x		
Stakeholder engagement				X	X	X		X			X	X	X		
Verification															
External audit		X	X	X			X				X				
Certification		X	X				X								

Table 8: Management elements required or recommended in each framework (continuation)

	ISO High Level	ISO 14001 / EMAS	NMX-AA-162	SA 8000	UN Business & Human Rights.	ISO 26000	SGE 21	GRI Standards	BMU/ PwC	EQ Principles / lender	EQ Principles / beneficiary	OECD Due Diligence guida.	Guía BMV	SDG Compass	AIAG Supplier Self Assessment
Preparatory tasks															
Understanding the organisation and its context	X	X				X						X	X	X	
Understanding the needs of interested parties	X	X				X							X		X
Determining the relevant aspects		X	X			X		X		X	X	X	X	X	X
Determining scope of management system	X	X													(X)

From Table 7 (above) we determined how often the management elements occur in the frameworks. The result is shown in the following chart (Figure 6).

Figure 6: Frequency that management elements of frameworks are required or recommended



Most frequently, 13 of the 14 frameworks require a policy. Certifications, the commitment to external codes, or information management on sustainability issues are all relatively rare.

It turns out that the 15 most frequently mentioned management elements would form a management system. To illustrate this, we have sorted the TOP 15 management elements thematically again (Table 9). By assessing the result, we conclude that a management system which consists of these elements would be working very well.

Table 9: Top 15 elements of management systems according to relevant frameworks

Area	*Top 15*
Policies and rules	Policy
Organisational structure	Responsibilities within executive board Responsibilities within senior management Sustainability officer
Processes	Integration in business processes Compliance
Continuous improvement	Goals and measures Monitoring / performance evaluation with sustainability indicators Management of ESG risks Grievance mechanisms Training
Communication	Sustainability reporting Internal communication Stakeholder engagement
Preparatory tasks	Determining the relevant aspects

5 | Elements of sustainability management and their importance in the business reality

5.1 Participants of the expert survey

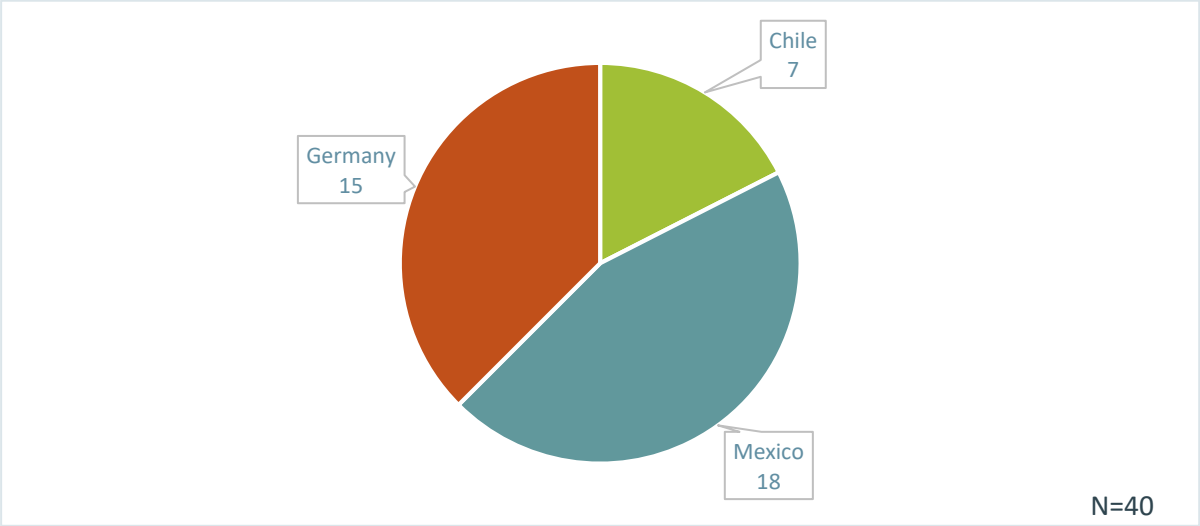
The analysis of the frameworks described above has already produced interesting results. But even though frameworks are generally drawn up with the involvement of experts from companies - i.e. contain expert knowledge - we assumed that sustainability managers assess the significance of individual management elements differently than we derived it by just comparing the standards. For this reason, an online survey was conducted from June 11 to July 20, 2018.

A total of 94 sustainability managers in Chile, Mexico and Germany, most from large corporations, were asked to participate in the survey. In Chile and Mexico, we addressed the sustainability managers and executives who had participated in the workshops[9]. In Germany we invited sustainability managers who have a business relationship with WEC or the Institute for Sustainability.

A total of 40 experts (response rate of 43%) answered the questionnaire. Most of the responses came from sustainability managers in Mexico (

Figure 7).

Figure 7: Origin of the experts who took part in the survey



[9] See *8.2.2 Actual situation in sustainability management in Chile – Insights from the roundtables* and *8.3.2 Actual situation in sustainability management in Mexico – Insights from the roundtables*

Over 2/3 of the experts who responded work in companies with more than 5000 employees, only 6 companies have 500 or fewer employees (Figure 8).

Figure 8: Size of the companies from which the experts originate

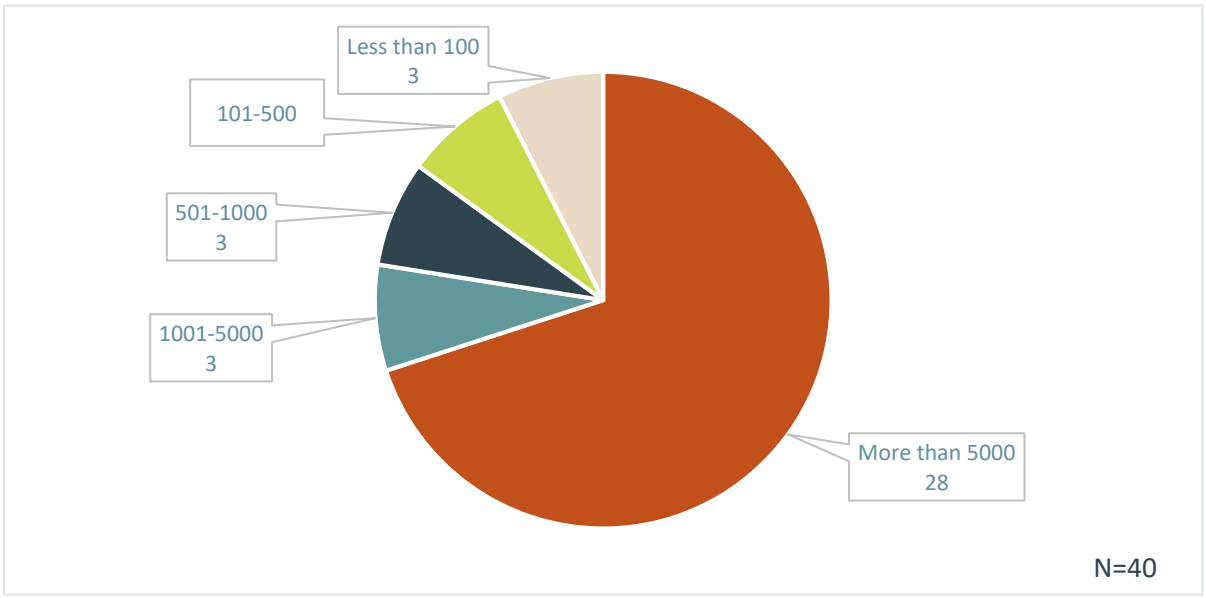
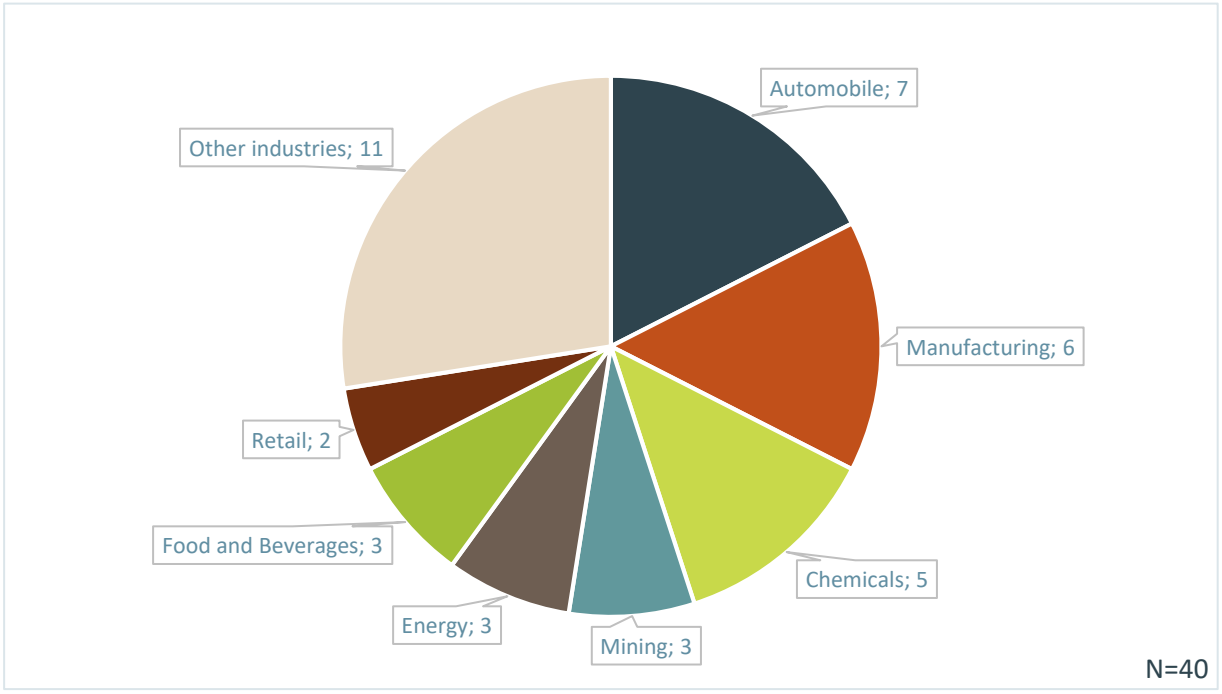


Figure 9: Industry, in which the experts work



Of the 40 experts, 36 work in companies that have implemented an environmental management system (Figure 10). The majority of companies also have a sustainability management system. (Figure 11).

Figure 10: Since when an environmental management system has been implemented (N=40)

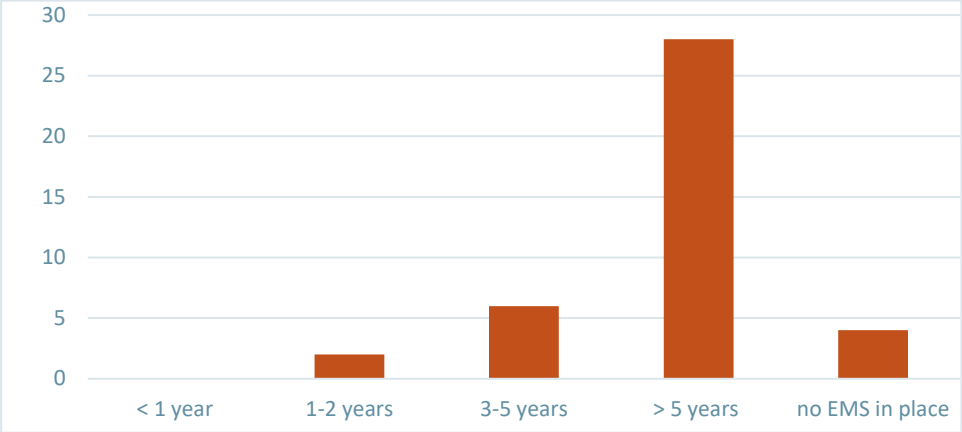
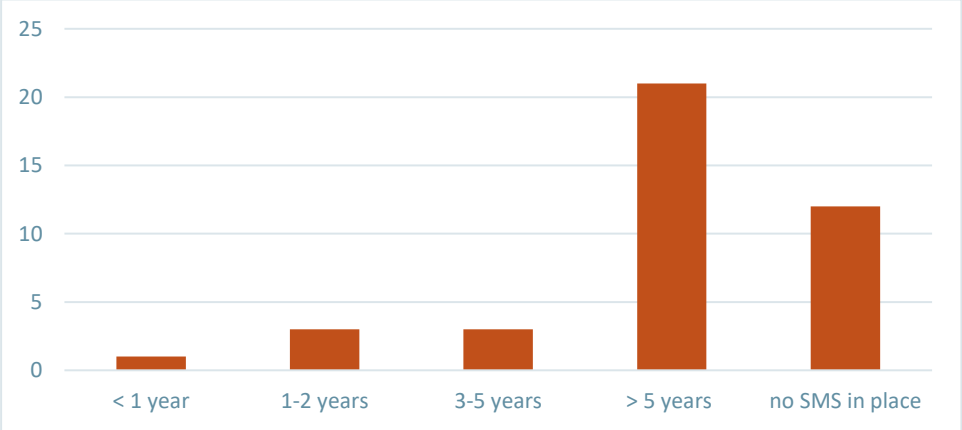


Figure 11: Since when a sustainability management system has been implemented (N=40)



5.2 Expert assessments compared with the relevance according the frameworks

In order to understand how experienced sustainability managers assess the importance of each management element, only the answers from companies that have implemented at least an environmental management system (36 answers) are included in the following part of the analysis.

It was also examined whether Chilean and Mexican experts come to different conclusions in general than the German experts surveyed. Although there were certain differences in the assessments, they were deemed not relevant for the aim of our study and are therefore not presented. For additional charts see the annex starting on page 75.

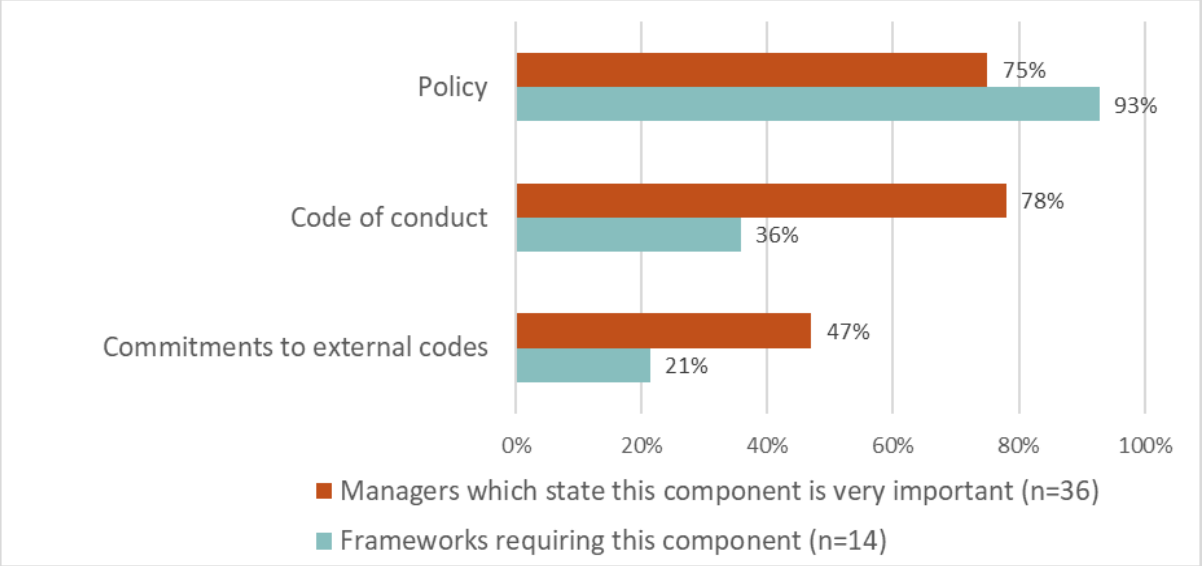
5.2.1 Policies and rules

A good management system requires a policy. This is not only the conclusion from the analysis of the frameworks, but also supported by 3/4 of the 36 experts consider a sustainability policy to be very important (Figure 12).

Sometimes companies have several policies on specific topics such as occupational safety, data protection and biodiversity which are not linked to each other. To set up a sustainability management system, it is advisable to set up a "value system" with a sustainability policy and further specific policies or codes of conduct (e.g. on anti-corruption or broader issues). These specific policies or codes should be linked to the sustainability policy.

It is noteworthy that from the point of view of practitioners, codes of conduct are equally important as policies, while in the frameworks, codes of conduct are referred to less often than policies.

Figure 12: Importance of policies, codes of conduct and commitment to external codes



5.2.2 Organizational structure

With regards to the design of corporate organizational structure, there are few differences between the assessment of practitioners from companies and the frameworks examined.

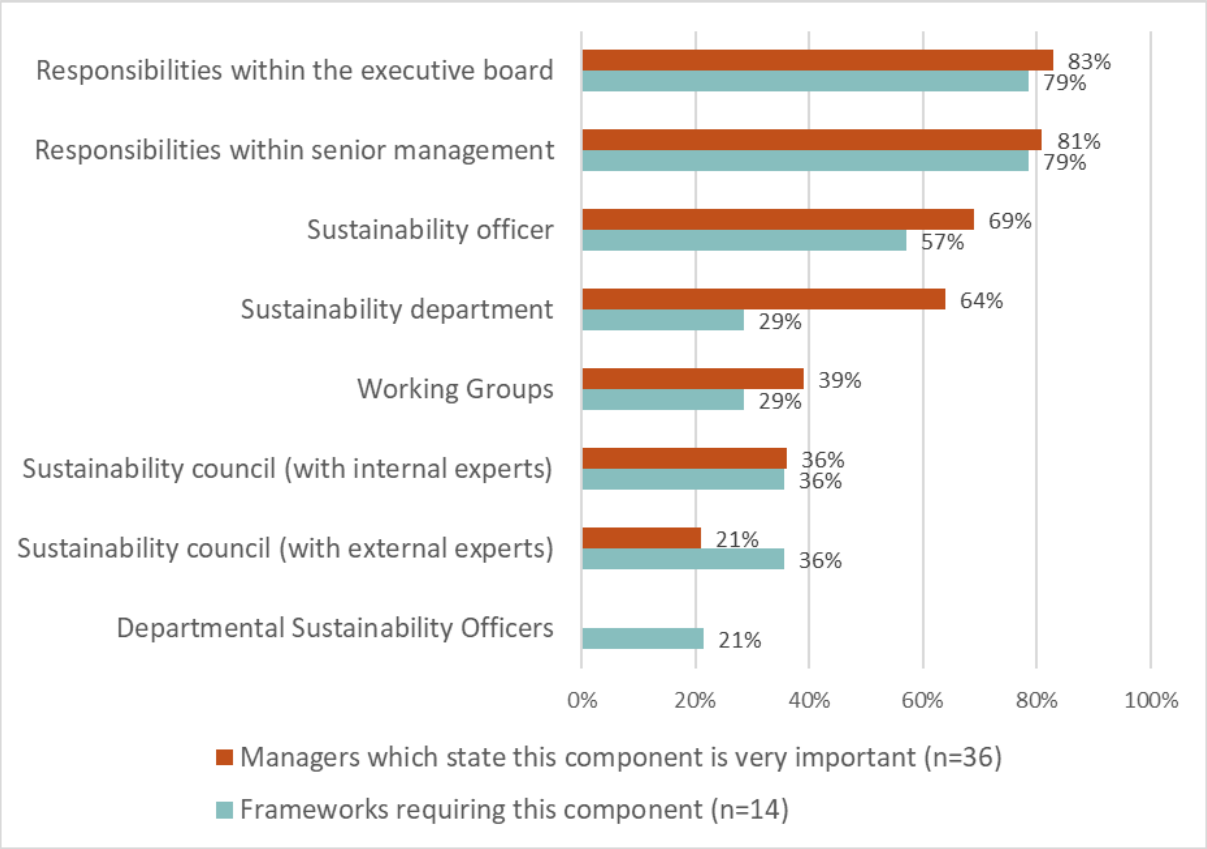
Both analyses confirm that the responsibilities for sustainability must be defined in the executive board and in senior management and that there should be at least one sustainability officer who is operationally responsible for sustainability management.

The majority of experts in the survey also consider a sustainability department to be very important and about 40% find much value in working groups. This can be attributed to the fact that 70% of the responses included are from companies with more than 5000 employees. In such large companies, a single person would be unable to cope with all the sustainability management tasks alone. However, this does not mean that a company has to provide a large team when a sustainability management system is introduced. Even in large companies it may be feasible that just one person is setting up the sustainability management system. When the management system starts working, the manpower can be adapted to the needs of the company.

Referring to smaller companies, the situation is different. Here sustainability management needs less staff.

Working groups are also typically established, when necessary, to set up the sustainability management system. Experience shows that large companies regularly have internal projects, e.g. to integrate sustainability requirements into existing work processes, that can usually be addressed by working groups. In smaller companies working groups are needed less often.

Figure 13: Importance of responsibilities



When surveying on the importance of a sustainability council, we distinguished between councils with external stakeholders and councils in which only experts from the company are represented. Both forms exist in practice, fulfilling different functions. Internal sustainability councils often serve to coordinate decision-making between the heads of departments. Since sustainability is a cross-cutting issue, it is usually not managed “top-down” from the board.

Sustainability councils with external experts usually have an advisory function. The aim here is to systematically incorporate the views of external experts.

BASF, for example, has established both types of councils: The internal coordination committee for managers is called “Corporate Sustainability Board” while the council with external experts is called “Stakeholder Advisory Council” (Figure 14).

Only a few practioners assess the establishment of a sustainability council with external experts as very important. This is a rational result considering that, while a sustainability council is very useful for discussing important sustainability issues at board level, it is not as necessary for the day-to-day functioning of the management system with which the respondents work.

Figure 14: Organizational structure Sustainability at BASF

Corporate Sustainability Board

The Corporate Sustainability Board (CSB) is BASF's central steering committee for sustainable development. It is comprised of the heads of our business, corporate and functional units as well as of the regions. A member of the Board of Executive Directors serves as chair. The CSB monitors the implementation of the sustainability strategy and cross-divisional initiatives. Regarding aspects of sustainability related to the "We Create Chemistry" strategy, the CSB defines sustainability goals and approves corporate position papers on sustainability topics.

Stakeholder Advisory Council

We have also established an external, independent Stakeholder Advisory Council. Its members bring an important external perspective to the table in discussions with BASF's Board of Executive Directors, thereby helping us expand our strengths and identify our potential for improvement.

Sustainability Core Team

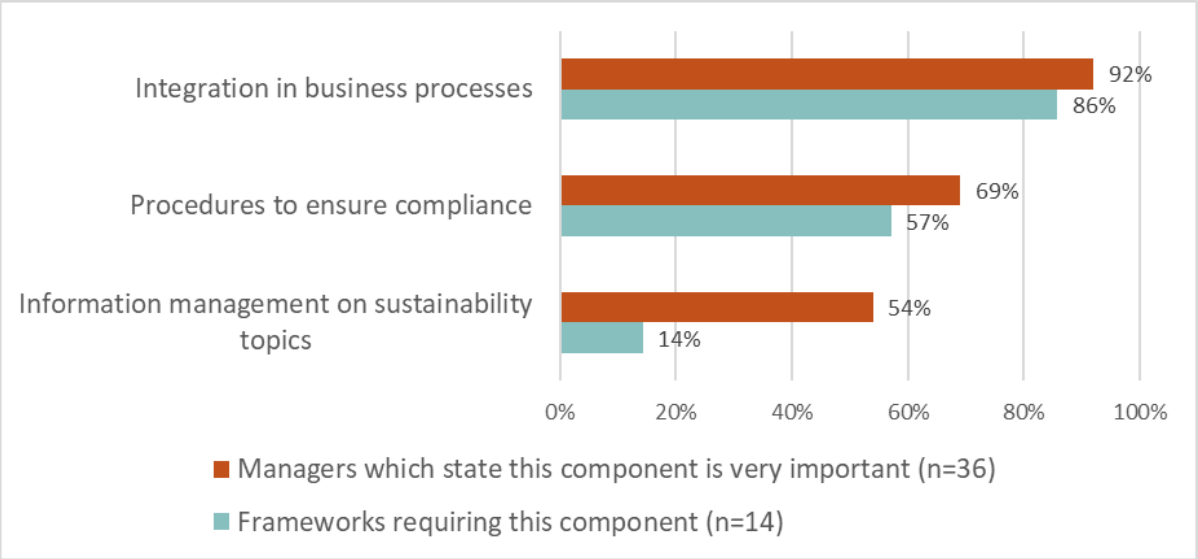
The Sustainability Core Team supports the Corporate Sustainability Board to drive the implementation of CSB decisions and to connect with the Sustainability Communities. The Sustainability Core Team also supervises the approved sustainability initiatives and performance measures.

Source: BASF 2017

5.2.3 Processes

In order to eliminate shortcomings and exploit opportunities in the context of sustainability, internal processes usually have to be adapted. Improvements are achieved by integrating ecological and social aspects into existing processes. For example, ecological and social criteria must be taken into account in product development or procurement. The analysis of the frameworks as well as the survey of experts show that this is particularly important (Figure 15).

Figure 15: Importance of information management, securing of compliance and the integrated consideration of sustainability aspects in work processes



Not all frameworks require procedures to ensure compliance (Figure 15). This is likely due to the different objectives of the frameworks. The SDG Compass or ISO 26000 are guidelines that aim to support companies in achieving good practice. Compliance was presumably taken for granted by the authors. However, for 2/3 of the sustainability officers, procedures to ensure compliance are essential, due to the fact that compliance with laws is undisputedly part of the values of sustainability and, the disadvantages of non-compliance are far too great. Serious violations of the law can damage a company's reputation and thus invalidate many important positive effects of sustainability management. Former surveys on environmental management systems have shown that many companies have introduced ISO 14001 and EMAS[10] in order to achieve greater legal certainty.

Sustainability managers also have the task of continuously monitoring developments on sustainability issues, answering questions on sustainability within the company, answering questionnaires (e.g. from investors and customers) and, if necessary, obtaining information from other divisions and departments. This information management is rarely addressed in the frameworks. However, half of the sustainability managers rate this task as very important.

Other important processes are crafting the corporate sustainability report, internal communication, conducting stakeholder dialogue and contributing to strategy development. These tasks of sustainability management are considered below in the sections “communication” and “strategy”.

5.2.4 Continuous improvement

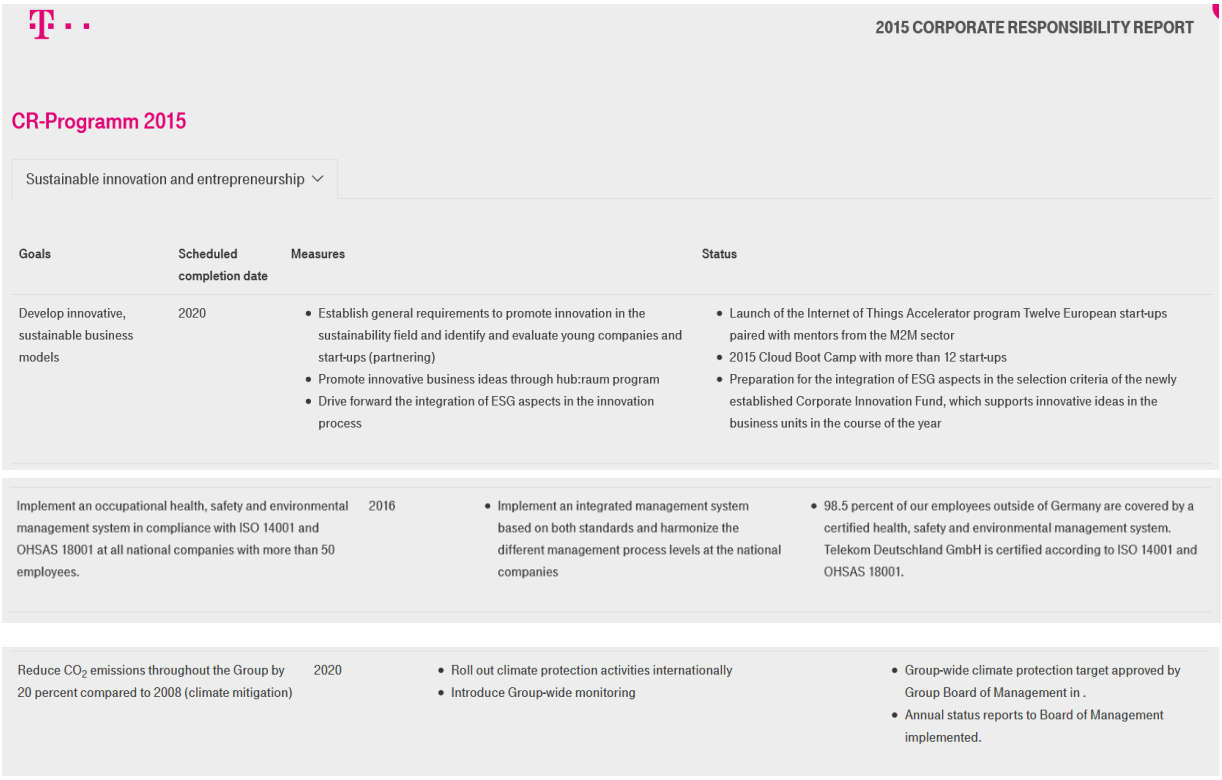
Continuous improvement in environmental protection is the central idea behind ISO 14001 and EMAS. In order to achieve this, the plan, do, check and act cycle (PDCA) is a main focus in ISO management systems. So, it is not surprising that in the analysis of the frameworks we identified six instruments which

[10] EMAS stands for the European Eco-Management and Audit Scheme. Today the management system required is nearly identical to ISO 14001. In contrast to ISO 14001, the EMAS certification system is managed in partnership between industry and the public sector. Among other things, there are national registers of certified companies (e.g. for Germany www.EMAS-Register.de with English information).

serve to achieve improvements. For the survey we added a further instrument - the company suggestion scheme.

Both the survey and our desktop analysis found that the most important management tool to promote improvements are goals and related measures (Figure 17). A systematic compilation of the measures associated with goals is also called "sustainability program" (a rarely used term, analogous to the environmental program at EMAS). An indicative example is the sustainability program of Deutsche Telekom presented in Figure 16.

Figure 16: Deutsche Telekom Sustainability Program



2015 CORPORATE RESPONSIBILITY REPORT

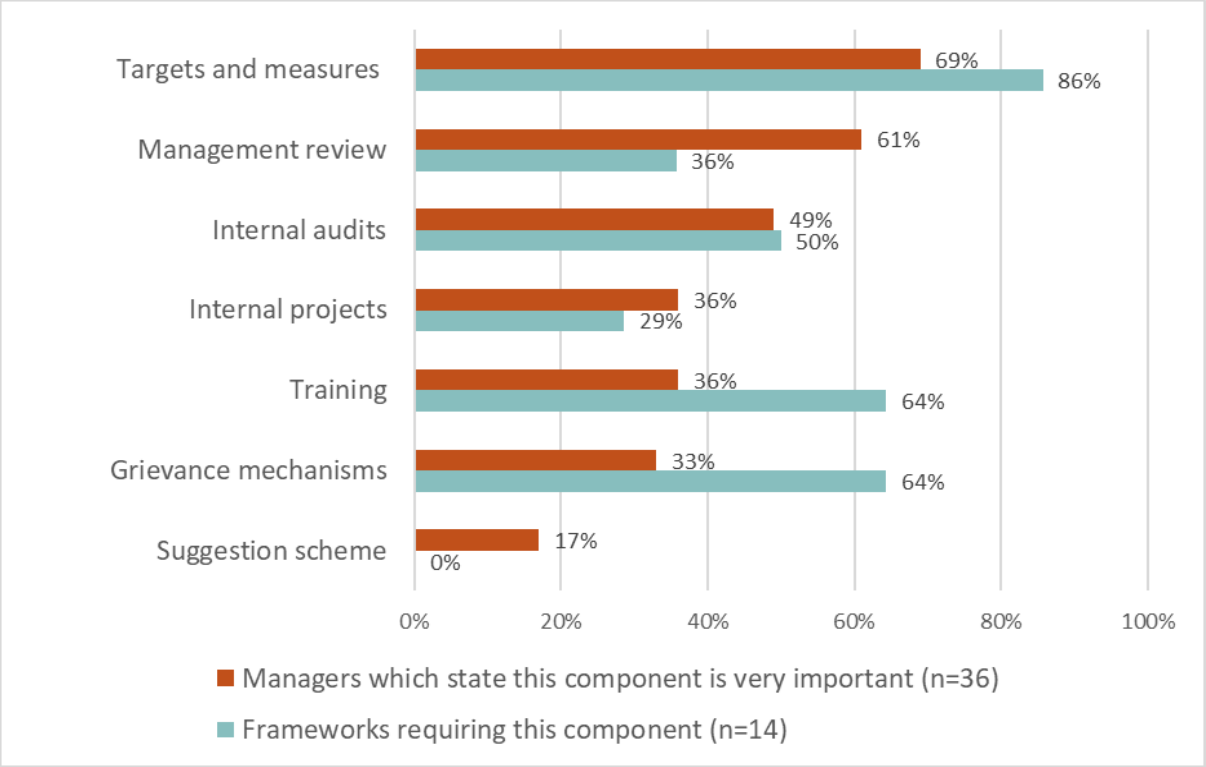
CR-Programm 2015

Sustainable innovation and entrepreneurship

Goals	Scheduled completion date	Measures	Status
Develop innovative, sustainable business models	2020	• Establish general requirements to promote innovation in the sustainability field and identify and evaluate young companies and start-ups (partnering) • Promote innovative business ideas through hub:raum program • Drive forward the integration of ESG aspects in the innovation process	• Launch of the Internet of Things Accelerator program Twelve European start-ups paired with mentors from the M2M sector • 2015 Cloud Boot Camp with more than 12 start-ups • Preparation for the integration of ESG aspects in the selection criteria of the newly established Corporate Innovation Fund, which supports innovative ideas in the business units in the course of the year
Implement an occupational health, safety and environmental management system in compliance with ISO 14001 and OHSAS 18001 at all national companies with more than 50 employees.	2016	• Implement an integrated management system based on both standards and harmonize the different management process levels at the national companies	• 98.5 percent of our employees outside of Germany are covered by a certified health, safety and environmental management system. Telekom Deutschland GmbH is certified according to ISO 14001 and OHSAS 18001.
Reduce CO_2 emissions throughout the Group by 20 percent compared to 2008 (climate mitigation)	2020	• Roll out climate protection activities internationally • Introduce Group-wide monitoring	• Group-wide climate protection target approved by Group Board of Management in . • Annual status reports to Board of Management implemented.

Source: Deutsche Telekom (2016)

Figure 17: Importance of instruments and processes to achieve continuous improvement



In addition to goals and measures, approximately half of the sustainability managers surveyed, have rated management reviews and internal audits as very important. These internal self-controls contribute to anchoring the management system. Internal projects, training and complaint mechanisms are less often seen as very important. A certain discrepancy in the analysis of the frameworks is noticeable in training and grievance mechanisms. But here, too, it is understandable that these two elements are not absolutely necessary for the proper functioning of a management system.

Some companies have set up a company suggestion scheme through which employees can contribute their ideas for improvement. If the ideas are implemented, employees receive a reward. Interestingly, the frameworks considered do not address this instrument; of the experts, around 60% consider a suggestion scheme to be at least important, and only very important for a few of the survey respondents.

5.2.5 Communication

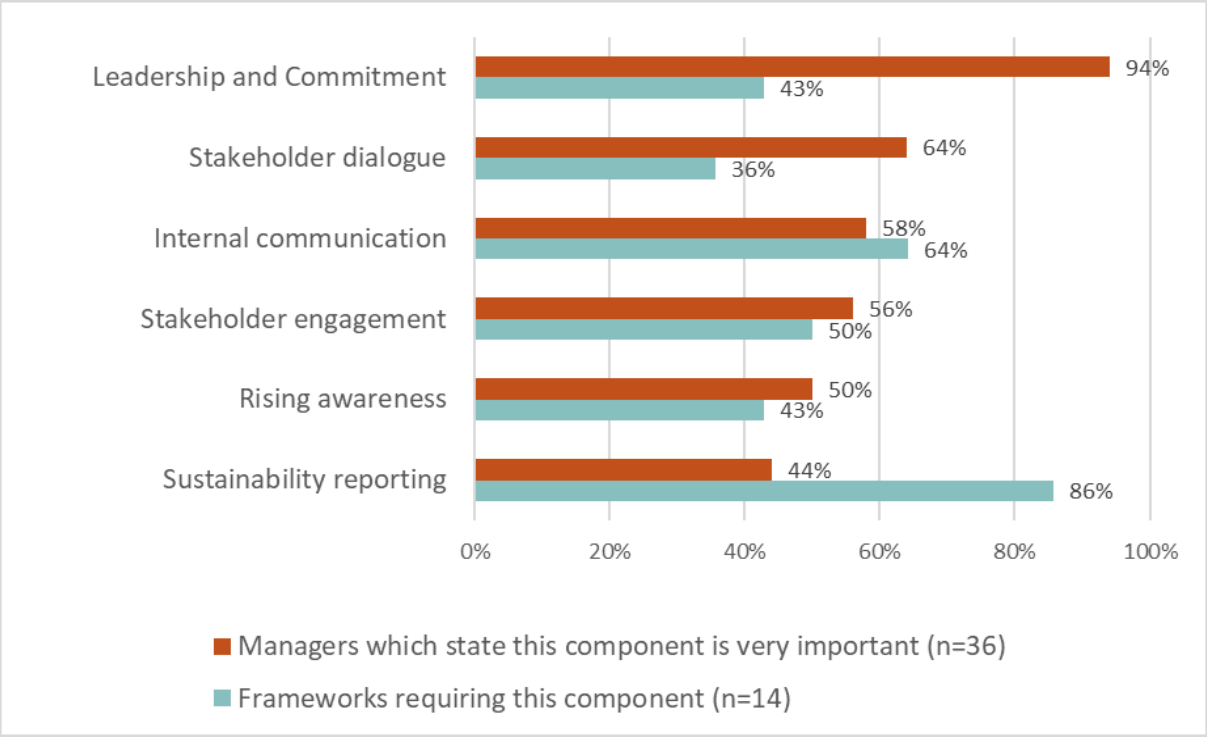
Concerning communication, the opinions of the experts and the results of the analysis of the frameworks are diametrically opposed in two respects: While most of the frameworks require sustainability reporting, less than half of the sustainability managers consider reporting to be very important (Figure 18). And, while only 43% of the frameworks address the importance of leadership and commitment from the top management – nearly all of the sustainability managers surveyed find it most important. Here once again it becomes apparent that not all the frameworks considered are designed for implementing a management system. On the other hand, we asked the experts how important the different forms of communication are for the good functioning of the sustainability management system. Bearing this in mind, the results are very plausible.

With respect to stakeholder dialogue and stakeholder engagement, more of the sustainability managers consider dialogue to be very important. It's not surprising, after all, that you'll start with a dialogue in order to get in touch with the stakeholders and understand their opinions. The systematic involvement of stakeholders in a company's opinion-forming process (= stakeholder engagement) is less frequent

and more common if the sustainability management system has already been implemented for some time.

From the perspective of the frameworks, however, stakeholder engagement is ranked as more important as it delivers better insights than a general dialogue. The systematic inclusion of stakeholders' opinions on specific issues naturally has a greater potential to ensure that stakeholders' interests are taken into account as far as possible.

Figure 18: Importance of different forms of communication



In the area of communication, there are interesting differences in assessments depending on where sustainability managers work: Half of the Mexican sustainability managers consider sustainability reports to be very important, while only a third of their German colleagues consider this to be the case. We assume that this is due to the maturity of sustainability reporting in the companies were the German interviewees work. When the first sustainability reports are written, the information gathering and internal discussions help spur internal learning processes. Over the years, however, these processes provide diminishing returns on lessons learned, so the benefits for the management system decrease.

The evaluation by country also shows that all experts from Chile consider stakeholder dialogue and engagement to be very important, while experts from Mexico and Germany do not attach as much importance to the interaction with stakeholders. This is due to the different situations in these countries. In Chile, mining is a particularly important economic sector and companies have considerable environmental impacts. The negative impacts are increasingly criticized by civil society, which has an overall impact on the acceptance of large-scale projects (see *8.2 Chile*). The diagrams comparing the country-specific results are available in the Annex.

5.2.6 Preparatory tasks

The implementation of a sustainability management system involves several preparatory tasks that aim at ensuring that sustainability management establishes sustainability priorities by considering all sustainability aspects relevant to the company (Table 9).

Table 10: Preparatory tasks described in several frameworks

Preparatory tasks	Understanding the organisation and its context Understanding the needs of interested parties Determining the relevant aspects Determining scope of management system Establishing the management system

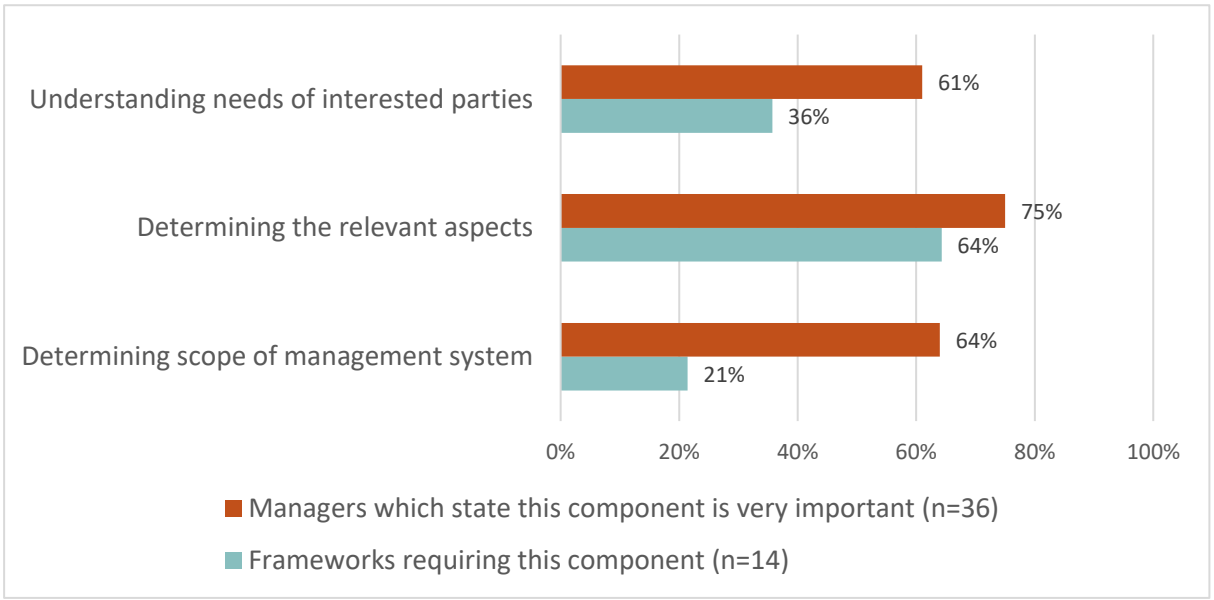
The first two tasks, "Understanding the organization and its context" and "Understanding the needs of interested parties", are in preparation for the subsequent task “Determining the relevant aspects” regarding sustainability.

Clarity about the relevant aspects is in turn an important factor when deciding upon the scope of the management system. Other issues also play a role, such as the existing organizational structures of the company.

For the sake of brevity, the questionnaire did not include a question on an assessment of "Understanding the organization and its context", and “Establishing the management system” as we assume that this is a matter of course.

The experts participating in the survey assess "understanding the needs of interested parties" just as important as "determining the relevant aspects". And they also clearly state that the scope of a well-functioning management system must be defined.

Figure 19: Importance of the preparatory tasks for the introduction of a management system



5.2.7 Strategy

Five of the frameworks analyzed (one third), address the strategic level: ISO 26000 states: "An organization should set its direction by making [sustainability] an integral part of its policies, organizational culture, strategies, structures and operations". The GRI standards stipulate that the "most senior decision-maker" sets out "the relevance of sustainability to the organization and its strategy for addressing sustainability" in a statement.

A closer look at these quotations reveals two different points of view:

- ISO 26000 stipulates that sustainability should be a component of existing strategies.
- The GRI standards are based on the idea of a separate sustainability strategy.

Both approaches are useful. Of course, it makes sense for sustainability managers to develop a strategy on how best to address the company's key sustainability challenges in order to reduce negative impacts and realize opportunities. But if there is only such a "stand-alone" strategy and sustainability aspects (e.g. climate change) are not taken into account in the other strategies of the company (e.g. competitive strategy, human resources strategy), then the relevant sustainability aspects of the company will not play a role in important decisions. The integration of sustainability in corporate strategy is, therefore, essential.

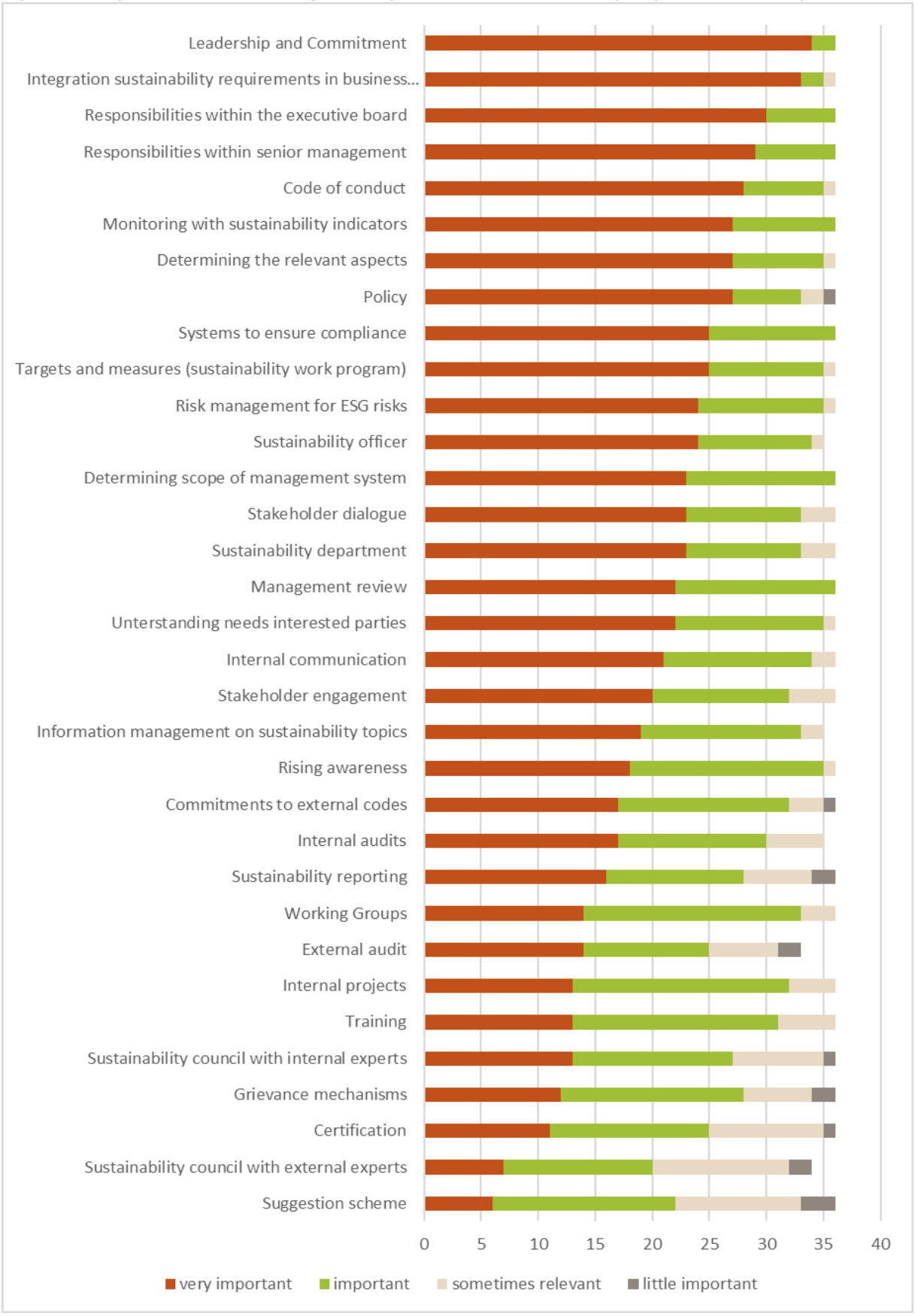
Finally, it should also be pointed out that, strictly speaking, strategies are not part of a management system. Rather, the implementation of a management system can be part of a strategy. If, for example, a company discovers that criticism from NGOs and citizens' initiatives is increasingly being taken up by customers, investors, and politicians, it may make sense to implement a sustainability management system in order to ensure compliance and to systematically avoid negative impacts.

As strategies are not part of a management system and because strategy is understood very differently in the context of sustainability, we did not ask the experts about its importance.

5.3 Overall assessment of the experts

Figure 20 summarizes all expert responses to the relevance of management elements and sorts them by importance. Leadership and commitment of the top management rank at the highest position, followed directly by the demand to integrate ecological and social requirements into business processes.

Figure 20: Importance of the management system elements from the perspective of the experts



6 | The 20 most important elements of a sustainability management system

As described in the previous sections, in some areas the opinions of the experts and the requirements in the frameworks differ. One of the reasons for this result is the fact that, in the frameworks, the interests of stakeholders are also taken into account. Of course, sustainability managers consider the interests of the stakeholders. But when it comes to designing the management system obviously sustainability managers have some differing views on which elements are particularly important for its functioning and which are less necessary. In case the budgets and capacities for sustainability management are not sufficient, the managers surveyed would rather have no grievance mechanisms and training than to do without the sustainability program or leadership from the board.

In the following Table 11 we have merged the two points of view by including the top 15 elements from the analysis of the frameworks as well as the top 15 elements from the survey. Each element is marked with an "f" for “framework-top 15” or an "e" for “experts-top 15”. The result is, that there are slightly more overlaps than differences (11 overlaps vs. 9 elements, which reached top 15 only in one of our evaluations). Most differences occur in communication, most overlaps in processes and organizational structure.

As a result, the table contains the 20 most important components for a sustainability management system. Companies that are implementing a sustainability management system are advised to focus on these 20 elements.

Table 11: The standard management system for sustainability management

Area	***The 20 most relevant elements for a sustainability management system***
Policies and rules	Policy (f,e) Code of conduct (e)
Organisational structure	Responsibilities within executive board (f,e) Responsibilities within senior management (f,e) Sustainability officer (f,e) Sustainability department (e)
Processes	Integration in business processes (f,e) Systems to ensure compliance (f,e)
Continuous improvement	Goals and measures (progress tracking) (f,e) Monitoring / performance evaluation with sustainability indicators (f,e) Management of ESG risks (f,e) Grievance mechanisms (f) Training (f)
Communication	Sustainability reporting (f,e) Leadership and commitment (e) Internal communication (f) Stakeholder dialogue (e) Stakeholder engagement (f)
Preparatory tasks	Determining the relevant aspects (f,e) Determining the scope of the management system (e)
(f) top 15 in frameworks (e) top 15 according to experts	

With two exceptions, it is obvious to first implement the elements that are frequently required by the frameworks and considered particularly important by the experts. The two exceptions refer to „Leadership and Commitment“ as well as to „Sustainability Reporting“.

Leadership and Commitment

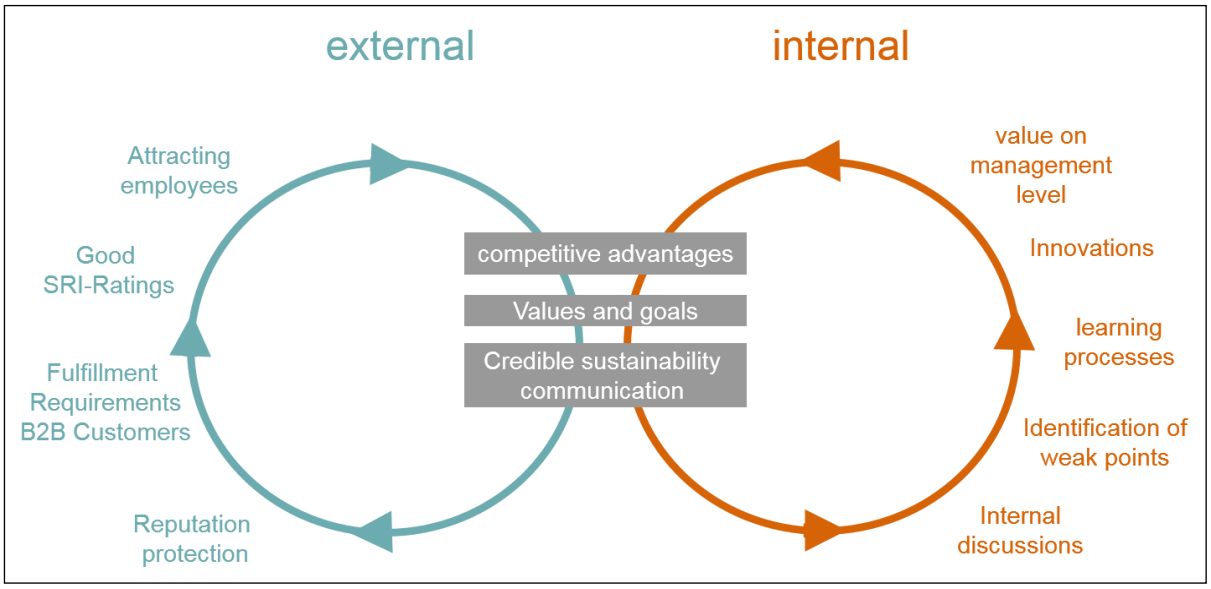
"Leadership and Commitment" is not often mentioned in the frameworks, but not only our survey of experts, but also other studies (e.g. Loew and Clausen 2005) regularly point out that this is essential for an effective sustainability management. It is obvious that the success of projects or departments depends, among other things, on the leadership and commitment of the company management. But in the case of sustainability management, it must be considered that in many companies environmental and social issues have traditionally been regarded as secondary, cosmetic or even inhibiting success. This is why sustainability managers without the clear support of their top management are often unable to achieve significant changes.

Sustainability reporting

Sustainability reporting is indisputably important. However, some companies prefer not to start with a sustainability report at the very beginning of setting up their management system while other companies use the preparation of the first report as a first milestone on their journey to a well running sustainability management system. Experience shows that both ways are good. To start reporting at an early stage is possible as every company has environmental and social provisions and projects to report on. In this case the reporting process provides a valuable inventory, because using the GRI standards for reporting, has the effect like using a checklist for the state of the sustainability management. In particular, the preparation of the first sustainability report triggers valuable learning processes and increases the importance of the topic in the company (Loew 2016, Clausen et al 2002) (Figure 21).

Companies that first want to make progress in environmental protection and social issues before publishing their first report should plan their reporting 2.5 years after having started their journey in sustainability management at the latest. That is because of both the external impact and the internal benefits associated with preparing the first report.

Figure 21: Benefits of sustainability reporting for a company



Source: Loew 2016, translated

Important management elements in practice

In order to illustrate how the essential management elements for corporate sustainability management are designed in practice, respective examples were researched.

The result is a collection of examples of leading Chilean, Mexican and German companies, which is published separately. The pdf-publication “Ejemplos Praxis de Elementos de Gestión para la Gestión de la Sostenibilidad” / “Real-life examples for management elements of sustainability management” is available at the websites *www.wec.org* and *www.4sustainability.de* .

7 | Requirements to suppliers in B2B-business and the link to sustainability management

7.1 Background

Civil society and some policy-makers expect large companies to avoid environmental grievances and miserable working conditions in their supply chains. As a result, more and more companies are implementing respective measures. Usually a code of conduct addressed towards suppliers is the starting point.

In addition, supplier questionnaires are often used to assess environmental impacts, working conditions and the risks of shortcomings. Because these questionnaires often include information on responsibilities, company policies and procedures to ensure compliance, components of management systems are therefore, by design, required from the suppliers.

Some brand companies go even further and expect their suppliers to pass on the same requirements that they adhere to towards their own subcontractors, and, in some cases, even setting up supplier support programs that help to implement those requirements. In principle, the aim is to ensure minimum standards along the entire supply chain as well as to achieve significant improvements for workers and the environment.

Therefore, for enterprises in Latin America and in Europe, not only sustainability frameworks are relevant, but also the environmental and social requirements that their B2B customers place on them.

In order to gain an impression of the demands that large companies place on their suppliers, the current state in the automotive and chemical industries was reviewed. The following questions were examined:

1. Are multinational companies requiring that their suppliers implement management systems?
   Result: Sometimes, depending on the industry.
2. Are multinational companies trying to address tier 2 and further tiers?
   Result: Yes, some of them do.
3. Are sector approaches used?
   Result: Yes, there are sector approaches in the chemical industry and in the retail sector. In the automotive industry a sector approach is under development.

7.2 Automotive industry

In the second half of the 1990s German carmakers started to require from their tier 1 suppliers that they have environmental management systems according to ISO 14001 or EMAS in place. At that time most of their large suppliers were located in Europe. About ten years later, around 2005, the patterns of the supply chains had changed, and it became necessary to:

- not only include first tier suppliers but also second and third tier,
- include working conditions, anticorruption and related sustainability requirements.

Since then the German carmakers have developed systems to integrate relevant environmental and social requirements in their purchasing processes.

To date each of the three large German carmakers (Volkswagen, Daimler, and BMW) require at least their main suppliers to implement ISO 14001 within two years after contracting. The requirements on anticorruption and working conditions vary slightly.

It is important to note that Volkswagen, Daimler and BMW request their suppliers that they apply the same requirements from their sub suppliers. A rough overview is given in Table 11.

Table 12: German automotive industry, requirements to suppliers

Kind of requirement / suppliers involved	Volkswagen	Daimler	BMW
Environmental management system	ISO 14001 or EMAS within 2 years	ISO 14001, EMAS or similar within 2 years	ISO 14001 or similar within 2 years
Management system for social aspects	OHSAS 18001, SA 8000 and/or AA1000	Not required	Not required
Forwarding of requirements to subcontractors	"Volkswagen Group expects its business partners to request their suppliers to comply with these requirements."	Introduce Daimler Sustainability Standards to the further parts of the supply chain	"It shall be Seller's responsibility to cause all and any of its sub-contractors to act according to the regulations of this Provision"
Suppliers addressed	"main suppliers"[11]	"All suppliers of production materials"	All suppliers of production materials and automotive components
Mutual sector approach	Under development by the car industry.		

[11] "Volkswagen […] expects all business partners with production sites to have a suitable environmental management system. In addition, Volkswagen expects its main suppliers to have a certified environmental management system in accordance with international standard ISO 14001 or the EMAS Directive of the European Union."

7.3 Chemical industry

Similar to the German automotive manufacturers, large German chemical companies have applied sustainability requirements in their supplier management for at least 15 years. For our exploratory analysis, publicly available information from the three largest German chemical companies, BASF, Bayer and Evonik, has been screened. In addition, Henkel, one of the important pioneers in sustainability management, was also included.

While each of the large German automotive manufacturers requires suppliers to implement environmental management systems, the large chemical companies place less emphasis on these standardized management systems (Table 12). This is due to various reasons, including the industry initiative Responsible Care, which has already contributed to environmental policies and processes.

All chemical companies screened by us expect from their suppliers that they forward their requirements to their subcontractors.

Table 13: German chemical industry, requirements to suppliers

	BASF	Bayer	Evonik	Henkel
Environmental management system	"we expect our suppliers to […] adhere to internationally recognized environmental, social and corporate governance standards"	"Suppliers **are expected** to implement management systems to facilitate compliance […] and to promote continuous improvement with respect to the **expectations** set forth in the Supplier Code of Conduct."	"Suppliers are expected to maintain a quality assurance system, e.g. in accordance with ISO 9001 and/or ISO 14001."	"We expect our suppliers to conduct themselves in a manner consistent with our sustainability requirements"
Management system for social topics	As above	As above	As above	As above
Forwarding of requirements to subcontractors	"we expect our suppliers as well as their suppliers and subcontractors to fully comply with applicable laws and adhere to internationally recognized environmental, social and corporate governance standards (ESG standards)"	"we expect our suppliers to replicate these standards further down the supply chain."	"Evonik also expects suppliers to work towards the adherence to these standards by their upstream suppliers."	"Contractor shall ensure that its enterprise as well as its suppliers comply with the provisions of the BME Code of Conduct."
Suppliers involved	All suppliers	All suppliers	All suppliers	All suppliers
Mutual sector approach	BASF, Bayer, Evonik and Henkel participate in the chemical industries' initiative "Together for Sustainability"			

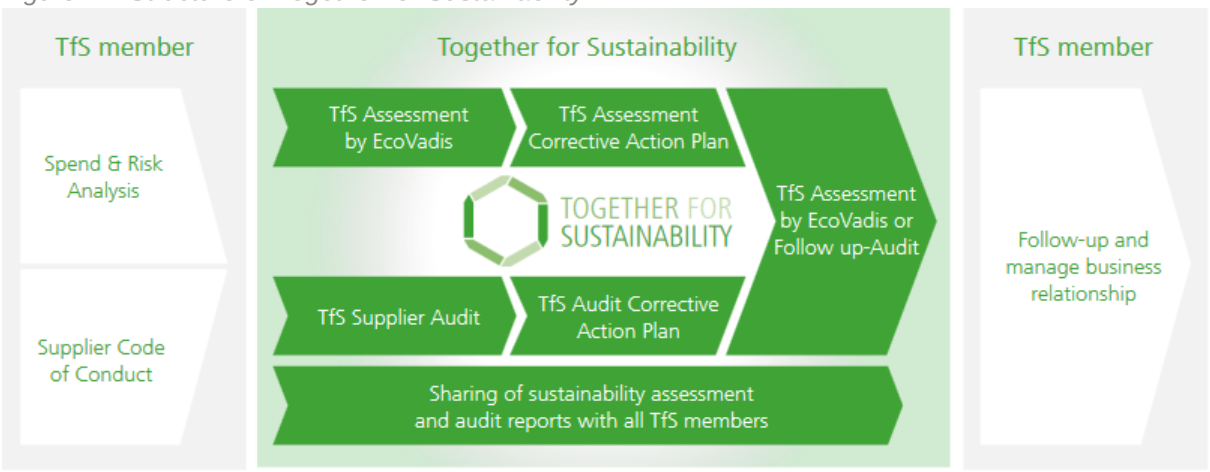
A key element in the supply chain activities of Germany's major chemical companies is the industry initiative "Together for Sustainability" (TfS). The Initiative was founded in 2011 by BASF, Bayer, Evonik Industries, Henkel, Lanxess and Solvay. Meanwhile, Akzo Nobel, Arkema, Brenntag, Clariant, Covestro, DSM, DuPont, Eastman, IFF, Merck, Syngenta and Wacker have joined TfS in the recent years.

Purpose of the TfS initiative is to avoid unnecessary duplication of effort amongst shared suppliers by

realizing synergies. Suppliers of TfS members only have to complete one standardized assessment form instead of several forms with partly similar questions. The sustainability information obtained is made available to all partners of the initiative. Technically, TfS is based on the internet platform EcoVadis.

TfS uses a risk-based approach. Risk analyses are used to identify suppliers with a high potential sustainability risk, broken down by country and product risks. Audits are carried out in particular on suppliers with a high potential sustainability risk. When audits are performed, the results and eventual improvement agreements are also accepted by all partners. In 2015, the members of TfS carried out a total of approximately 5,000 sustainability assessments and audits (BASF 2018).

Figure 22: Structure of Together for Sustainability



Source: BASF (2018)

The requirements and procedures of TfS are based on the United Nations Global Compact (GC) and the Responsible Care Global Charter. In addition, the guidelines of the International Labor Organization (ILO), the International Organization for Standardization (ISO) and the American non-governmental organization Social Accountability International (SAI) are taken into account.

7.4 Sector initiatives

Industry initiatives such as TfS exist in several industries. On behalf of the German Ministry for Labor, Müller and Bessas (2017) have investigated to what extent these sector initiatives improve human rights compliance in the supply chains. First of all, the authors point out that the initiatives can set a standard for sustainability within an industry and thus increase the importance of the topic for suppliers. It is, however, apparent that the existing industry initiatives are very diverse, set very different priorities and make use of a wide range of instruments.

Overall, Müller and Bessas conclude that the industry initiatives have initiated numerous beneficial activities with their suppliers. But most causes of human rights violations usually lie much deeper in the supply chains and, to date, the initiatives do not yet penetrate beyond tier 1, meaning that further work is necessary.

The initiatives analyzed by Müller and Bessas (2017) are listed in Table 13.

Table 14: Industry initiatives regarding sustainability in the supply chain

Initiative	Industry	Founding Year
AIM Progress	Fast Moving Consumer Goods	2007
Automotive Industry Action Group	Automotive	1982/2006
Business Environmental Performance Initiative	Retail	2014
Business Social Compliance Initiative	Retail	2003
Electronics Industry Citizenship Council	Electronics	2004
European Automotive Working Group on Supply Chain Sustainability	Automotive	2012
Global e-Sustainability Initiative	Telecommunications	2008
ICTI Care	Toys	2003
Joint Audit Cooperation	Telecommunications	2010
Pharmaceutical Supply Chain Initiative	Pharmaceutical Industry	2006
Railsponsible	Railways	2014
Responsible Sport Initiative	Sports Retailers/Bicycles	2016
Sustainable Apparel Coalition	Textiles/Apparel	2010
Together for Sustainability	Chemical Industry	2011

Source: Müller and Bessas (2017)

Even though we did not research which international standards were taken into account when these industry initiatives were set up, it can be assumed that international standards have played a role in defining the sustainability requirements for suppliers.

It is also known that at least some of the industry initiatives not only require to avoid grievances, but also make demands regarding the management (system). See for example the evaluation of the Supplier Sustainability Self-Assessment of the Automotive Industry Action Group (AIAG) in our analysis (Table 8).

7.5 Conclusion: overlaps between sustainability requirements from customers and a sustainability management system

Companies that have to consider suppliers' sustainability requirements today or in the future either already meet these requirements with a sound sustainability management system, or at least they are already very well prepared. In other words, the implementation of a sustainability management system is in line with the fulfilment of supplier requirements.

Furthermore, the business community in Latin America should adjust to the possibility that in the future Latin American companies could be required to pass on sustainability requirements to their own suppliers. This could also be done through industry initiatives, public-private approaches that integrate incentive mechanisms, as well as through national initiatives still to be established. In case new initiatives are started, we believe it would be helpful to consider the standard management system (Table 10) we derived from the frameworks and the expert survey.

8 | Sustainability management in Mexico, Chile and Germany

The three countries are presented on a chronological logic: we start the description with Germany because its large industrial companies have dealt with sustainability management comparatively earlier than Chile and Mexico. These Latin American countries are presented with respect to the chronological order of the roundtables in April 2018.

8.1 Germany

8.1.1 Background sustainability management in Germany

In the 1970s there was already a strong environmental movement in Germany, out of which the movement of the Green Party was founded. After a series of accidents in the chemical industry in the 1980s, large companies started reporting on environmental issues on a voluntary basis. After the Rio Summit in 1992[12], the Environmental management systems EMAS and ISO 14001 were developed, which were implemented by many large German companies in the mid-1990s. In the same timeframe, environmental reporting spread out mainly to large corporations but also to a number of committed small and medium-sized enterprises.

By the end of the 1990s, advanced companies had published several environmental reports and the question arose how to avoid repetitions and offer new interesting information. Then the communication experts remembered that the Rio Summit had not only focused on the environment but also introduced the concept of sustainable development, so, companies began to prepare sustainability reports by expanding their environmental reports with information on employees and economic issues. Shell's first sustainability report (Shell 1998) was an early leader in this development.

While environmental reporting was carried out directly within the organizational structures of environmental management, the first sustainability reports were based on temporary project organization. From the organizational structures originally set up only for preparing the sustainability reports, companies gradually developed sustainability management structures (Loew 2016). However, the term “sustainability management system” was disregarded for many years based on the fact that, in the development of ISO 26.000, important business associations opposed against the creation of a standardized management system that would allow for certification (Loew 2005). Thus, ISO 26000 is a guideline but not a certifiable management standard.

Sustainability management and CSR

In the early 2000s, the European Commission identified Corporate Social Responsibility (CSR) as an approach for companies to provide voluntary contributions to sustainable development. In order to promote these voluntary contributions, a political process was developed within the EU, which led to a new meaning of CSR (Loew et al 2004). Originally the term “Corporate Social Responsibility” was used in the United States where it still refers to corporate donations, foundations and other corporate social responsibility activities, as well as civil engagement (also often referred to as “Corporate Citizenship”).

[12] United Nations Conference on Environment and Development (UNCED)

The EU then first defined CSR as all voluntary measures taken by companies that contribute to sustainable development (European Commission (2001). These voluntary measures should be promoted by political actors. About 10 years later the Commission (2010) made clear that compliance with legal regulations is also part of CSR in the sense of the EU.

This use of CSR as a term in EU's political process to promote sustainability in companies led to a lot of misunderstandings. After many controversial debates such as “CSR must be voluntary” vs “we need better regulation”, it was concluded that CSR as defined by the European Commission (2001, 2010)[13] and sustainability management address the same topics (BMU 2006, Loew & Rohde 2013).

To make things even more complicated the term "non-financial information" is also widely used. This expression has been developed in the financial world and refers to the fact that, in addition to (usual) financial indicators, there are also non-financial indicators such as quantitative and qualitative data on employee concerns, environmental issues and other sustainability issues, thus indicators that are part of sustainability reporting (Loew 2018).

This explains why there is a European Directive often called “CSR-Directive”, which contains a reporting obligation on non-financial information and which addresses sustainability reporting (European Commission 2014/95/EU).

Due to the original meaning of CSR in the Anglo-American region, it still happens also in Europe that the term CSR is not used according to the now valid European understanding but in the sense of Corporate Citizenship. So, in case of doubt it must be checked which understanding is applied in publications or discussions.

8.1.2 Actual topics in sustainability management in Germany

In Germany and presumably in many parts of the EU, sustainability managers in companies and further corporate sustainability experts are discussing and working on the following topics:

Sustainability reporting / non-financial reporting

On the European level a non-financial reporting legislation has been introduced with the EU-CSR-Directive (2014/95/EU) in 2014. By 2016 the Member States had to incorporate it into their national legislation. The respective law in Germany applies to listed companies with more than 500 employees and certain financial institutions. First annual reports or sustainability reports, fulfilling the requirements, were published in 2018. About half of the German companies affected by the new law, was already reporting on sustainability. As a result, the new law triggered an increase in reporting and increased attention to sustainability in the management and supervisory boards, especially since information contained in the annual reports is subject to external verification.

UN Sustainable Development Goals

Since about 2016 quite some sustainability managers in German companies have been working to provide an overview on their corporation’s contributions to the sustainable development goals and how these contributions can be extended.

UN Guiding Principles on Business and Human Rights

In 2016, the German government adopted a National Action Plan (NAP) for the implementation of the UN Principles of Business and Human Rights. Doing so, the government implemented a recommendation of the European Commission (2011) to develop such NAP (Federal Foreign Office 2017).

Part of the German NAP is a "review mechanism": By 2020 at least 50 percent of all German companies with more than 500 employees should have initiated a due diligence process regarding human rights. If that will not be achieved, a legally binding regulation will be considered by the government.

Even though NGOs and other stakeholders criticize the German national action plan as being too weak (e.g. CorA 2016), there are voices that expect the rising political attention on human rights in the economic area will further promote activities. This might lead to increase respective activities in the supply chain.

Recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)

G20 finance ministers fear that both climate change and a rapid decarbonization of the economy pose a risk to the stability of financial markets. This has led to the creation of a Task Force on Climate-related Financial Disclosures (TCFD). The TCFD, which is chaired by Michael R. Bloomberg (Bloomberg Financial Services), has developed recommendations on disclosures related to climate risk (TCFD 2017). The recommendations require that companies report on: their CO_2 emissions, measures for climate protection, governance mechanisms, and whether their corporate strategy fits to national climate protection measures and to climate change. In 2018 only two German companies (Allianz and EnBW Energy Baden Württemberg) already reported according TCFD but it is expected that the number of reporters will grow quickly (Loew and Braun 2018). Several institutional investors, among others also BlackRock, are urging the companies they are invested in to report on climate related risks in line with the recommendations (Bloomberg 2017).

Further initiatives

In Germany there is a “Foundation 2°” which is an initiative of chairmen, CEOs and family businesses with the aim at limiting global warming to 2 degrees. See *www.stiftung2grad.de/en.*

Already in the run up of the climate summit in Paris (COP 21) several multinational companies announced that they want to become carbon neutral within the next 20 years. Examples are SAP, which commits to becoming carbon neutral by 2025[14] and Siemens which intends to cut its carbon emissions by 50% until 2025. Also, the Dutch company Philips commits to becoming carbon neutral by 2020[15]. There are more companies which such commitments in Germany, Europe and overseas.

[14] https://news.sap.com/germany/klimaneutral-bis-2025/

[15] *https://www.philips.com/a-w/about/news/archive/standard/news/press/2015/20151207-Philips-commits-to-becoming-carbon-neutral-by-2020-at-the-UN-Climate-Change-Conference-COP21.html*

8.2 Chile

8.2.1 Background sustainability management in Chile

The information on the background of sustainability management in Chile was provided by our project partner APLE, *www.aple.cl*.

First implementations of ISO 14001 started around the year 2000, driven by foreign markets

In Chile, sustainability management has a rather short history. In the late1990s and early 2000s, Chilean companies started looking for systems that allowed them to incorporate sustainability issues (mainly environmental) into their management structures.

These initial efforts were driven by foreign markets that required a certified environmental management system to be in place. One of the first affected by this type of requirements was the wood industry as a result of Home Depot and other major wood product buyers demanding that companies have an environmental management system to be able to sell their products.

From that point on, as Chile opened up to international markets, market requirements widened, environmental regulation started to improve in the country, and environmental management systems began to spread out in the country. As a result, from 1999 up to 2016, ISO 14.000 certificates raised from 5 to 1240 in Chile.

Labor and safety issues

In parallel, in the late 2000s, Chilean society started to increase its awareness towards different interactions between economic activities and their externalities. Labor and safety issues become a more relevant issue and its importance traverses the mining industry to other economic sectors. Additionally, the relationships of economic activities with neighbor communities and other stakeholders has grown in relevance for all economic activities, especially at large companies and extraction industries that potentially may cause large environmental impacts, such as copper mining, forestry, and salmon farming, among others.

Some of these industries have developed their own specific management systems or codes to incorporate environmental and social issues within their business management such as CERTFOR[16] for forest industry and the SIGES standard for the salmon farming industry[17].

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[16] CERTFOR is a forest certification scheme. It is used for product certification, to assure that the wood in the product originates from responsibly managed forests. For the owners of a forest it represents a kind of sustainability management system. The same is valid for SIGES which certifies that salmon originates from responsible salmon farming. SIGES stands for Sistema Integrado de Gestión.

[17] In the early 2000, the salmon industry deployed the SIGES standard (SIGES stands for Sistema Integrado de Gestión) to establish minimum standards related to quality, environmental and health and safety issues regarding the salmon industry. This standard was implemented by major salmon farming companies in Chile, incorporating sustainability as a relevant management element in their businesses. Nowadays, the salmon industry does not longer promote this standard. Nevertheless, it provides a kind of sector sustainability report which mentions the management systems some of the companies are using. *http://www.salmonchile.cl/es/sustentabilidad_2016.php*. The report contains a database with company specific information. *http://www.salmonchile.cl/es/sustentabilidad_informe_2016.php*

The following systems are considered by companies in Chile, either because business partners (e.g. investors) require them or because they are seen as helpful to attract customers and well skilled employees:

- Equator principles
- Great place to work
- B Corporation
- Dow Jones Sustainability Index MILA Pacific Alliance
- Valor Minero Alliance
- Sello S for sustainable tourism
- Conducta responsable (responsible care) (chemical industry)
- Forest Stewardship Council (FSC)
- Certfor (forestry industry)

With these, and other sustainability management systems and schemes implemented, sustainability management has improved its average level in Chile over the past two decades, particularly in the mining, forest, and energy generation industries, which are generally considered comparatively more advanced in sustainability management.

8.2.2 Actual situation in sustainability management in Chile – Insights from the roundtables

The insights on the actual realities in Chiles were gained in two roundtables which took place at Santiago de Chile (April 10, 2018) and Concepción (April 12, 2018). Participants were mainly board members and managing directors of various industry sectors.

Civil society is more demanding - companies are being criticized more frequently - new approaches are applied

The growth in the per capita income in the past 20 years and the incorporation of Chile in the OECD have contributed to increasing the population's awareness of the relationship between economic activities and society. This awareness is not only limited to the environmental impacts that economic activities might generate, but also relates to how these activities contribute to social development. In several cases, this awareness has manifested as strong opposition from local communities and even national society against large scale projects with significant impacts on the environment and local communities, like for example:

- Pascua Lama mining project that faced opposition regarding glacier preservation and water pollution
- Freirina swine growth and processing facility that faced opposition due to strong odor impact in surrounding villages
- Hidroaysen hydroelectric project that faced opposition related to natural area preservation

Although these are big projects and good examples of the rising level of awareness in Chile, this awareness is not related only to large private initiatives. Many midsized projects and industries have faced local opposition that have demanded higher environmental standards and/or lower impact on surroundings.

Thus, the management of social conflicts, stakeholder engagement and its management, have become important issues for the management of the companies. In addition, the approach of creating shared value gains attention.

There are also some public initiatives that are promoting public-private dialogue focused on incorporating social issues (such as health and safety requirements, minimum wages, local employability, and education and capacity building, among others) among the private sector. . One example is the Cleaner Production Voluntary Agreement promoted by the Sustainability and Climate Change Agency (formerly the Cleaner Production Council).

Lack of knowledge about Sustainability and Sustainability Management

Even though several Chilean companies are incorporating sustainability into their core business and company strategy, most companies have little experience with the challenges and requirements, that establishing a sustainability management system entails.

Many companies have only recently started to explore sustainability management And, in addition to the challenge of understanding the business value, they also struggle with implementing sustainability management in practice. There are obviously too many standards, norms, and expectations, which makes them complex to digest. Deciding upon those standards and frameworks that are relevant to a certain industry and company makes taking action even more challenging, especially as most companies don't possess enough knowledge to take informed decisions.

In such a situation, government agencies could make a difference. However, these are in a learning process, too.

Communication and cultural change

In the entire process of implementing sustainability management, top management support is essential to slowly integrate into corporate culture an understanding that sustainability is important. It is necessary to make employees realize that putting in practice sustainability strategies and actions will create positive impacts both for their career and for the company. This requires a thoughtful and well-informed communication, as well as leadership from the top. Therefore, it is important to make sure that all members of the Board understand sustainability, and its benefits for the company, which beyond any doubt is a great challenge.

Transparency & Reporting to increase confidence

In recent years, maintaining "the license to operate" has gained importance in Chile. That is due to:

- growing demands from international customers and local administrations who have started to insist on sustainability requirements
- several incidents when companies have been dishonest and thus lost confidence among stakeholders
- and a model that has worked in the past but is no longer convincing, when companies have invested e.g. in roads and other beneficial activities that create value for local communities.

Roundtable participants in Chile stated that confidence can only be gained through actions on substantive issues and changes in operations. Several successful cases have been realized recently including in the mining, forest, retail industries and the port operators in cooperation with external parties such as local communities and universities. Transparency combined with a clear plan that considers third parties has built confidence and relationships that enabled projects continue to operate. This is how leading Chilean companies have learnt how transparency and active participation of external actors can build a partnering stakeholder structure that goes beyond the company´s internal organization. Companies have learned that this in turn can help to develop plans and strategies that contribute to the business success of a company.

These experiences are now helping some leading Chilean companies to value transparency to a greater extent, communicate facts honestly and thus renew themselves. Where sustainability reports have commonly been used as PR tools they have recently begun to support a forward-looking strategic approach that reduces risk and creates opportunities for the company.

Challenges at the national level

Chileans are witnessing that the exploitation of ores/metals (which is an important pillar of the economy) has been shrinking. This links directly to the concept of sustainability. Due to extensive exploitation and thus a reduction of resources to be mined in an economical way, mining companies are generating less business than they used to. In the future the industry will contribute far less to the Chilean economy than currently. This trend comes together with fundamental technological changes, when automation will also greatly affect the Chilean economy.

Both developments stress the importance for business, government and the society in general, to look further ahead, foresee trends and transform in a sustainable way.

Another challenge are unsolved inequities and corporate shortcomings, creating distrust in the communities. Several participants mentioned that people often feel an atmosphere of injustice related to large corporations. As a result, a crisis of confidence towards entrepreneurship is perceived among many people in the country. Against this background, systematic management of sustainability is becoming even more important in order to maintain the social license to operate. Not only the companies are in charge of taking sustainability seriously, but also the government and public administration.

Key conclusions from the Roundtables in Chile

From the roundtable-discussions in Chile it became clear which triggers are making companies in Chile implement sustainability management systems.

- **Frequent triggers: crisis, problems, external requirements**. Problems with public administration and local population due to accidents or operations with severe environmental impacts, in some cases affecting the life of the local population More frequently, business customers are also making sustainability demands.
- **Sometimes a trigger: committed CEO, strategic conclusions.** A CEO who is committed to Sustainability (a CEO having a long-term-vision for a world in which our grandchildren enjoy the same opportunities as the current generation). Strategic conclusions (Social, geopolitical and resource changes are on the horizon, and all this must be foreseen to find business opportunities in these challenges).

8.3 Mexico

8.3.1 Background sustainability management in Mexico

The information on the background of sustainability management in Mexico was provided by Christian Izquierdo of the World Environment Center (WEC) and project partner CESPEDES[18].

[18] *www.cespedes.org.mx*.

Orientation towards United States and Europe leading to rich and complex regulation

Mexico is amongst the countries with most free trade agreements in the world and, as a result, a very rich and complex regulation. As our study deals with sustainability management frameworks this chapter on Mexico puts a focus on Mexican Standards.

In Mexico, there are local standards similar to several of the international standards, both voluntary (NMX standards) and mandatory (NOM standards). For example, NMX-SAA-14001-IMNC-2015 - Sistemas de gestión ambiental[19] - is a voluntary standard that implements ISO 14000. But companies that have met ISO certification still have to certify on this standard to be recognized by the government. This puts an administrative burden on large companies, which generally prefer certifying on international standards, in order to make sure their certifications are understood in export markets.

Local standards in Mexico often include similar rules to those in the United States and EU. This is especially beneficial for SME's which export to international companies, as these local standards prepare the Mexican industry about what their international clients expect.

Public policy aligned with UNEP agenda and sustainable development goals (SDG)

Sustainability has been part of the development strategies of Mexico in the government programs for many years. These Mexican programs have been in line with UNEP goals and its agenda. As part of its 10 Year Framework Program, the Mexican Government has worked with the private sector to develop a Special Program in Production and Sustainable Consumption[20] to establish the national policy (SEMARNAT 2014).

Today the Sustainable Development Goals (SDG) (ONU 2015) are being reflected in most of the new goals, policies, standards, and regulation.

National Program of Environmental Audit

The Programa Nacional de Auditoría Ambiental was created by the Mexican Ministry of Environment to improve the environmental performance of industrial facilities *beyond* the levels required by law. As the main voluntary mechanism of autoregulation in Mexico, through the Federal Attorney for Environmental Protection (PROFEPA), it includes:

- Compliance with regulatory requirements (federal, state and municipal)
- Management Systems
- Foreign standards (i.e. international standards/certifications to export)
- Sectoral standards (i.e. labeling)

The program includes both certification of industrial sectors and certification of services (especially tourism, which is one of the most important industries of the country). The certification aspect has helped to make this program more attractive and most large companies are using it to certify their facilities even if they already have been certified through other, more internationally recognized, programs.

Although the program was created in 1992 to focus on risky industrial sectors, today many SMEs (especially medium-sized companies) from a range of industries are joining the program. Considering

[19] Sistemas de gestión ambiental – Requisitos con orientación para su uso / Environmental management systems – Requirements with guidance for use.

[20] Programa Especial de Producción y Consumo Sustentable (SEMARNAT 2014)

that this is a voluntary, yet ambitious program, it is both an instrument to ensure compliance beyond environmental issues, and at the same time it also rewards companies with a certificate that they can use for marketing purposes.

It is important to note that this program focuses on the environment and does not address other sustainability elements, such as social issues. Therefore, it serves as a solid base for managing environmental issues and for adding more aspects of sustainability. Other voluntary standards such as NMX-SAST-26000-IMNC-2011 (CSR guidelines standard, equivalent to ISO 26000) can help to advance in this respect, although, they do not address social aspects very much, either.

Public-private initiatives

There are various public-private initiatives available to implement sustainability at different management levels (public policy, management programs, technical diagnostics, etc.). They include specific programs developed by industry associations or industrial chambers at national or regional level (CESPEDES, Iniciativa GEMI, CANACINTRA, among others). One of the most relevant initiatives, that includes 90 of the leading companies[21] of the country and various private foundations, is the recently created “Alianza para la Sostenibilidad (Alliance for Sustainability)” launched by the Mexican Agency of International Cooperation for Development (AMEXCID). This initiative aims to promote projects to achieve the goals of the 2030 Sustainable Development Agenda.

The Alliance’s 2017-2018 action plan identifies needs and synergies between the business model of companies and the SDGs with the objective to design and implement international cooperation projects. Various working committees have been created to take care of the most relevant issues identified: sustainable energy, sustainable cities, sustainable consumption, education and social inclusion (Agencia Mexicana de Cooperación Internacional para el Desarrollo, 2015)

Familiarity of business with sustainability and sustainability management

For large Mexican companies, especially those that are export-oriented, sustainability is a common concept, although it is less influential on corporate strategies within the country than for reporting purposes designed to addressing a companies’ clients and to the government needs.

It is important to highlight that Mexico is a country with severe inequalities. This is reflected by companies, too, especially with suppliers down the value chain. With the exception of the automobile industry, where most suppliers are large companies and nearly all are certified, most Mexican companies have tier 2 and tier 3 suppliers that are not certified or don’t know these concepts. Therefore, one of the main concerns of large companies in Mexico is how to support their suppliers to adopt sustainability management or at least basic practices such as quality management and environmental management. The discussions held in this project’s two business roundtables in April 2018 in Mexico-City and Monterrey confirmed this assessment.

8.3.2 Actual situation in sustainability management in Mexico – Insights from the roundtables

The insights into how corporations manage actual situations were gained in two roundtables which took place in Mexico City (April 24, 2018) and in Monterrey (April 26, 2018). Participants were mainly

[21] Also including some German companies.

sustainability managers from companies of various industry sectors, as well as experts from academia, governmental agencies and consultancy firms.

Understanding of sustainability management

There is still no uniform understanding of sustainability and sustainability management in the Mexican business community. In many Mexican companies, sustainability still is synonymous with environmental protection. There are, however, some companies whose sustainability management is responsible for ecological and social aspects. This different understanding of sustainability management must be taken into account in discussions and the communication of results.

The sustainability experts present at the roundtables were fully aware that sustainability is not limited to environmental protection. Nevertheless, there was often a focus on environmental issues in the lectures and discussions.

Challenges for sustainability management: convincing colleagues and decision makers.

Sustainability managers have to do a lot of convincing in their companies. It is a great challenge to operationalize the sustainability strategies decided by the management in the various departments. Not all departmental managers are open to sustainability issues. Therefore, sustainability officers must be good diplomats.

Implementing Standards is challenging

While the sustainability managers in pioneering companies know the standards relevant to their company, it is nonetheless a challenge to implement all requirements defined in the standards, and to align them to the overall business direction of their company.

Communicating the relevance of sustainability management

Many of the companies which participated in the roundtables publish sustainability reports, including Alfa, Coca Cola FEMSA, Grupo Bimbo, Fresnillo, Petstar, and Vitro. BASF's new video "With Optimism into the Future," which was presented at the opening of the Mexico City roundtable, highlights the challenges of climate change, plastic in the sea, traffic and the contribution of chemistry to solve them. See: *https://youtu.be/JM3ljvWhB0o*.

Benefits and limitations of management systems – learnings from ISO 14001

In many companies, sustainability management evolves from environmental management. Indeed, the project's analysis of management system standards included the ISO 14001 (environmental management) and NMX-AA-162-SCFI-2012 (Certificado Ambiental - Industria Limpia) standards. Richard Wells, a sustainability consultant to Mexican companies, presented on the development of ISO 14001 and underscored that significant progress has been made in companies with ISO 14001, especially in the first years after the standard was published. Among other advances, the standard has achieved a much more systematic approach, clarity of responsibilities, more support for management and significant improvements in environmental performance. However, the standard also led to unnecessary bureaucracy in many companies, especially when the management manual is very detailed and new processes have to be described regularly. It is not unusual for external auditors to contribute to the higher costs by interpreting the documentation requirements very strictly.

But Mr. Wells stressed in his presentation that, considering the massive challenges with respect to the fundamental change of the planet's ecosystems, these incremental improvements as intended by environmental or sustainability management systems are not sufficient. Instead of continuous improvement, creative destruction (Schumpeter) and exponential changes towards sustainable

technologies are needed.

United Nations SDGs

Currently there is much attention to the United Nations Sustainable Development Goals (SDGs). There is a federal government processes to design national development plans in accordance with the SDGs.

According to Mexican observers, one of the currently most important challenges for Mexican and international companies operating in Mexico is adapting their governance structures to the new SDGs, especially those related to social aspects, and how to incorporate the SDG framework into their reporting, without compromising on transparency, accessibility and materiality.

Guidelines of business organizations

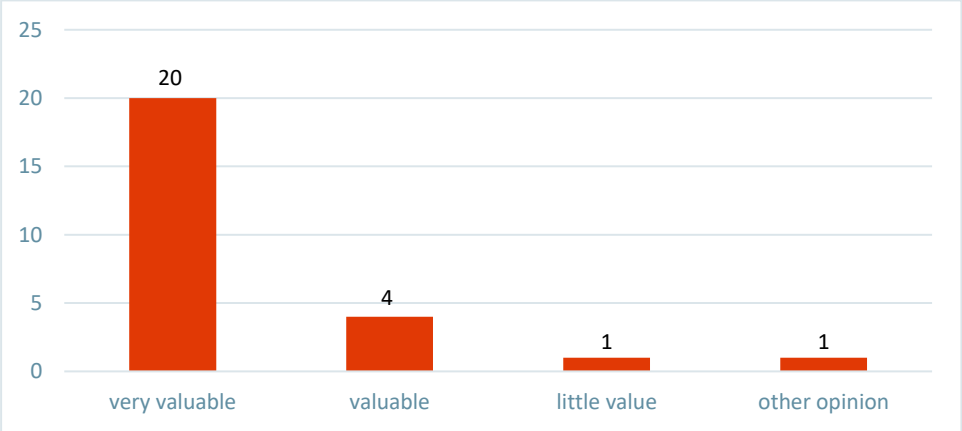
Of secondary priority are guidelines developed for other organizations, such as those developed by the Mexican Bank Association for companies in the Mexican stock market (Guía de sustentabilidad del Grupo BMV), which companies looking for investors in Mexico might find as a useful guideline. Other Mexican companies listed on the international stock markets, such as the large mining companies (e.g. Fresnillo plc), rather follow UK or Canadian frameworks and thus operate according to international rules and requirements.

8.4 Further empirical results

8.4.1 Benefits of the workshops in Chile and Mexico

We used the survey to ask the participants about the benefits of workshops: the vast majority considers the exchange of experiences between German and Latin American companies on sustainability management to be very useful (Figure 23).

Figure 23: Value of the exchange of experience on sustainability management



In case further workshops could be realized, the Mexican participants are particularly interested in understanding how sustainability management supports innovation management, corporate strategy and risk management (Figure 24).

Figure 24: Interest in more topics

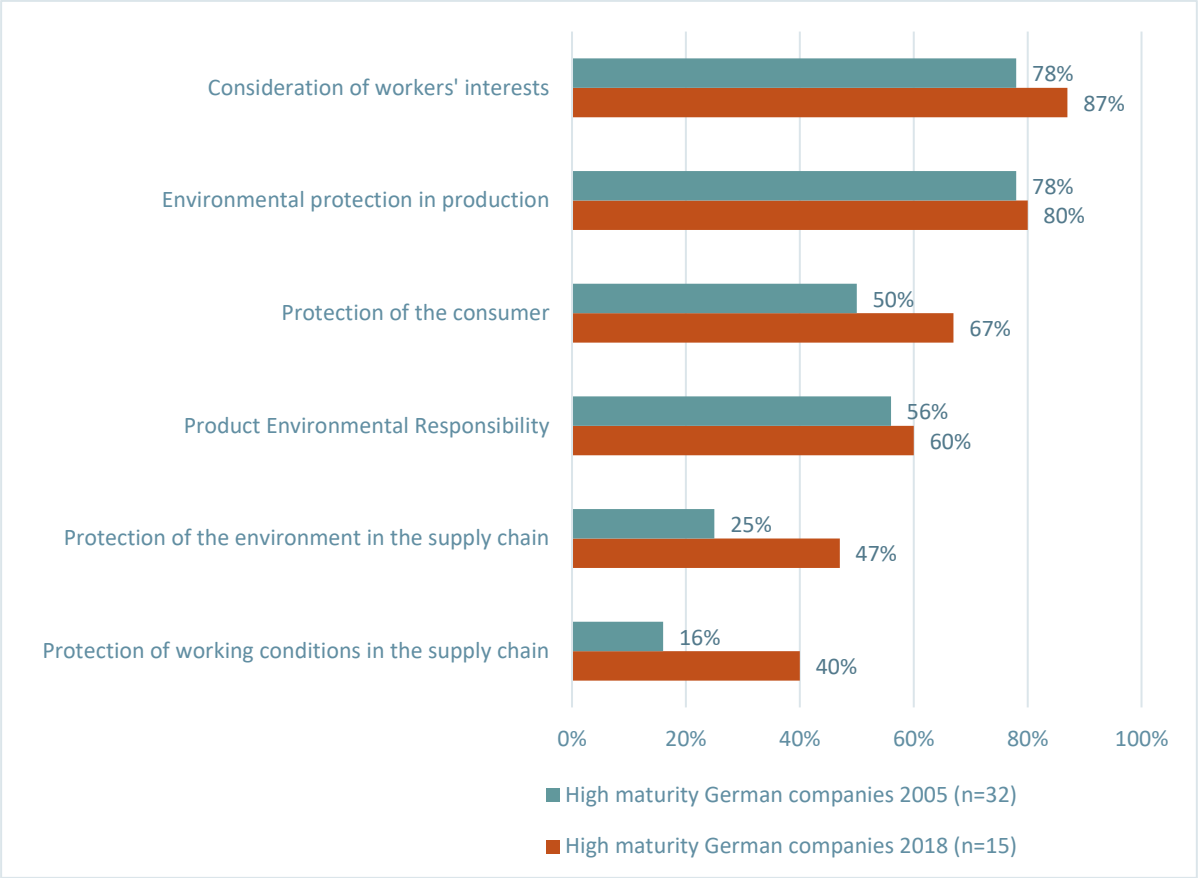
Also, in the chats during the breaks of the workshops, several experts showed great interest in further workshops in order to exchange practical experiences on individual questions of sustainability management.

8.4.2 Maturity of sustainability management in central areas of responsibility

The survey was also used to examine how far sustainability management had developed in central areas of responsibility such as environmental protection and consumer protection. Regarding this question empirical results from 2005 are available for German companies (Loew and Braun 2005).

Firstly, we have a look at the results for German companies in the years 2005 and 2018: Figure 25 shows that management has been improved in all areas considered and that most improvements have been achieved in the area of responsibility in supply chains. This finding is consistent with other observations. For example, more and more companies in Mexico and Chile are faced with rising expectations from their German B2B customers.

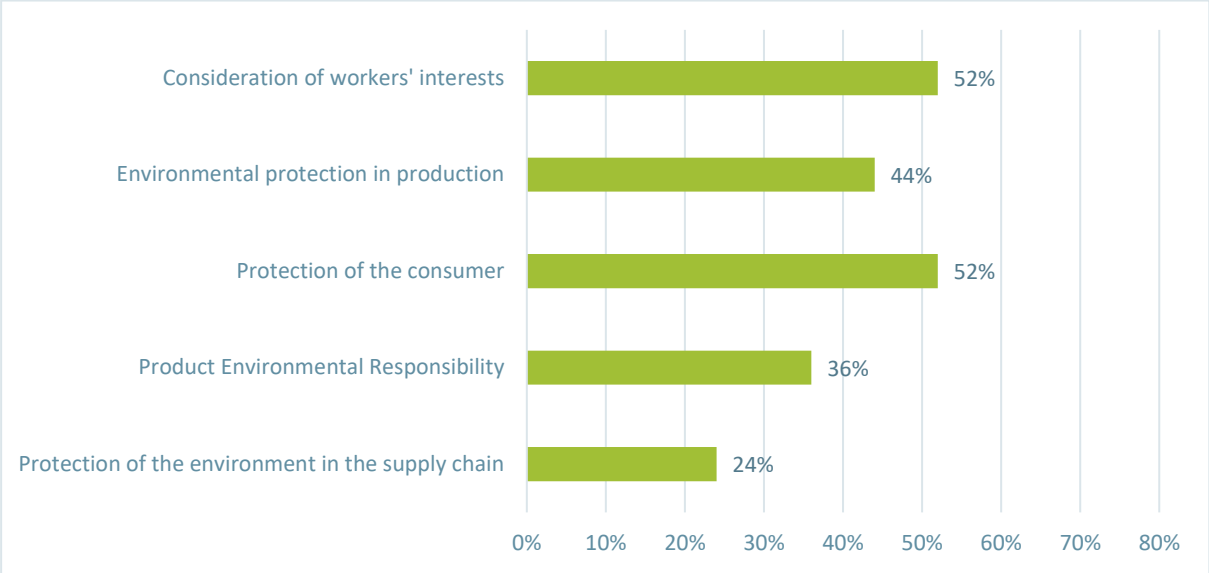
Figure 25: Maturity level of the management in central areas of responsibility - German companies



Despite the improvements in the area of responsibility for the supply chains, there are still fewer companies with mature systems than, for example, in operational environmental protection. In our opinion, two aspects are decisive here. On the one hand, the risk of abuses in the supply chain varies greatly from sector to sector. On the other hand, it is much more complex and challenging to undertake serious measures in this respect.

The pattern is similar in the Mexican and Chilean companies surveyed. Management in the areas of employee interests, consumer protection and corporate environmental protection is at a high level for half of the companies surveyed. Well-developed management structures are not yet so common when it comes to ecological product stewardship and the consideration of environmental aspects in the supply chain. (At this point, it should be recalled that the survey was conducted mainly with companies that are already very advanced in sustainability management). Looking at developments in Germany, one can assume that Mexican and Chilean companies will further develop their activities in all areas of responsibility in the coming years.

Figure 26: High maturity level of the management in central areas of responsibility - Chilean and Mexican companies



8.5 Sostenibilidad and Sustentabilidad - two Spanish expressions in the context of sustainability

During the research for this study and the preparation of the workshops in Chile and Mexico, it turned out that two terms were used in Latin America in the context of sustainability, namely "Sostenibilidad" and "Sustentabilidad". This didn't affect any of the work for the scientific study. However, as the project included the publication of a brochure in Spanish for companies it had to be clarified which is the more suitable term.

Development of the term in Mexico

In Mexico two Spanish words are used in the context of sustainability: "sostenibilidad" and "sustentabilidad". They represent slightly different concepts. According to Mexican experts this is due to a translation mistake in the aftermath of the 1992 Rio Summit[22]. Then the Mexican Congress reviewed the environmental law to include the new concept of sustainability. Obviously, the public administration preferred to stick to the wording of a Mexican Study with the title "Desarollo Sustentable en México" (Gamboa, 1988).

So instead of using the term "sostenibilidad", "sustentabilidad" was introduced. As a result, experts in Mexico who refer to environmental topics, mostly use "sustentablilidad" (e.g. NOM-022-SEMARNAT-2003[23]) while anything involving economic and social concepts is called "sostenibilidad".

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[22] Obviously, this is related with the Spanish translation of the Brundtland Report "Our Common Future" (ONU 1987) that defined the term sustainable development for the Rio summit 1992. While sustainable development was translated into Spanish as "desarollo duradero", other parts of the report explain that the concept of sustainable development must be "sostenible/duradero":

[23] NORMA Oficial Mexicana NOM-022-SEMARNAT-2003, que establece las especificaciones para la preservación, conservación, aprovechamiento sustentable y restauración de los humedales costeros en zonas

Wal-Mart Mexico, for instance, applies the “sustentabilidad” concept, and thus in accordance with these distinctions only includes environmental issues (i.e. ISO 14000). It doesn’t mean that the company is not managing social and economic issues, as reporting on these is part of other reports (CSR, CDM).

Grupo Bimbo, a large food company headquartered in Mexico, has incorporated both concepts. For example, the person in charge of environmental issues is called “sustentabilidad manager” (referring to environmental issues only) while the person in charge of sustainable development is called “sostenibilidad manager” (a higher position).

This particular understanding in Mexico has been exported to several countries in Central America, thus resulting in national environmental legislation similar to Mexican laws. Since Central America is very influenced and supported by trends from both North and South American Spanish speakers, it is common that “sostenibilidad” and “sustentabilidad” are used differently depending on the country.

Current practice in Chile

Chilean companies use both “sustentabilidad” and “sostenibilidad” to refer to sustainability themes and purposes. Most of the companies from Chile that issue sustainability reports refer to them as “reportes de sostenibilidad”. Despite that terminology, they also include the adjective “sustentable” as sustainable (management) instead of “sostenible”. So, the wording is not consistent.

Practice of European companies in Latin America

European companies also use both terms when creating their sustainability reports for different countries in Latin America. Take the case of Royal Dutch Shell, that uses the term “sostenibilidad” for its national reports in Mexico and Colombia, but for Argentina it refers to “sustentabilidad”. Similarly, BASF refers to sustainability reports using both Spanish terms depending of the country in Latin America.

Terms used by international organizations

Since several frameworks of important international institutions were used for the analyses above, it was an evident step to check their choice of terms in the Spanish language (Table 14)

Table 15: Examples of how international organizations are using the term "sustainability" in Spanish

UN	Objetivos de Desarrollo Sostenible [Sustainable Development Goals] (ONU 2015) ONU Informe Brundtland: Informe de la Comisión Mundial sobre Medio Ambiente y Desarrollo (ONU 1987). “3. El desarollo duradero. […] Está en manos de la humanidad hacer que el desarollo sea sostenible, duradero, o sea, asegurar que satisfaga las necesidades del presente sin comprometer la capacidad de las futuras generaciones para satisfacer las propia.” (ONU 1987: 23).
OECD	Desarrollo sostenible: vincular la economía, la sociedad, el medio ambiente. (OECD 2008)
European Union	Plan de Acción: Financiar el desarrollo sostenible. (Comunicación de la Comisión) (European Comission 2018). Desarrollo sostenible en Europa para un mundo mejor: Estrategia de la Unión Europea para un desarrollo sostenible. (Comunicación de la Comisión) (COM (2001) 264). European Comission (2001)

de manglar.

The vast majority of official documents published by UNEP and the OECD use “sostenibilidad” (e.g. UNEP 2015, OECD 2018). The term is also used in all official language by the European Union (e.g. COM (2018) 97) and the Global Reporting Initiative (GRI).

Conclusion regarding the wording for the brochure

Finally, the colleges and partners in Mexico Chile and El Salvador also witness a more frequent use of “sostenibilidad”, especially when there are linkages to the international level. So, based on our brief research described above and the judgement of the partners in Latin America we decided to use the term “sostenibilidad” for the brochure.

9 | Conclusions

Thesis of the project confirmed

The initial thesis of the project was confirmed: Several management elements are regularly addressed in frameworks for sustainability management and related topics such as human rights or sustainability reporting. There are significant overlaps between the frameworks.

New frameworks such as the OECD Due Diligence Guidance for Responsible Business Conduct, UN Guiding Principles on Business and Human Rights, and the Mexican Guía de Sustentabilidad de la BMV also require a set of these management elements.

Likewise, the second thesis, namely that it is possible to derive a common set of key management elements from these frameworks, was confirmed. In order to identify the most important management elements in practice, it became necessary to include the know-how of sustainability managers. Although there are many overlaps between the analysis of the frameworks and the experts' assessments, significant deviations have also been identified. Only by combining both perspectives the most important management elements were reliably identified.

Management systemWith respect to sustainability, it is not common to speak of management systems. But comparing the management elements of environmental management systems with those of sustainability management frameworks, the differences are not large. It can be stated that it is correct to also speak of a sustainability management system, when there are at least clear responsibilities for sustainability and defined processes.

Complexity of the frameworks

The frameworks for sustainability management vary in complexity. Most of them are rather voluminous. They do not contain overviews of the main management elements. As a result, they are too complicated for beginners who are new to sustainability management.

Different levels of ambition

The frameworks for sustainability management serve different objectives.

- Some aim to avoid grievances and to ensure compliance (e. g. Equator Principles, OECD Due Diligence Guidance, the Mexican program Industria Limpia to which the NMX-AA-162 standard belongs).
- Other frameworks outline very advanced sustainability management (e. g. the Guía de Sustentabilidad de BMV, SGE 21 Sistema de Gestión Ética y Socialmente Responsable).

It is important to distinguish these two different levels of ambition.

Recommendations for selecting a framework

Companies implementing sustainability management, often find themselves wondering which standard they should consider. In general, standards provide a good basis for information and are also suitable for external communication. However, there is still no internationally recognized standard for sustainability management systems that is widely used in practice. Therefore, we recommend the following:

First of all, we are convinced that the standard management system derived from our research is a very good starting point.

In case an additional source and more detailed guidance is appreciated, we recommend the Standard SGE 21 Sistema de Gestion Ética y Socialmente Responsible. Out of the frameworks considered in our analysis, SGE 21 is the most clear-cut. In addition, the requirements are described in an easy-to-understand manner. Therefore, this standard is well suited as a working basis.

Unfortunately, in our perception, the standard is not very well known, at least not in Central Europe and North America. Therefore, companies that want to communicate which standard they apply for their sustainability management should rather refer to a more prominent framework. Since the requirements of the frameworks are overlapping, it is unproblematic to use a different framework in order to state that the company has taken its requirements into account.

Unfortunately, most of the prominent standards are not suitable for this purpose:

- GRI standards: The GRI standards refer to sustainability reporting and therefore cannot be called a reference framework for the management system.
- Equator Principles: The Equator Principles relate to the financing of large-scale projects and their management. Unless a company is regularly conducting such projects it's difficult to state that the principles where used to design the sustainability management system (although it would make sense technically).
- OECD Due Diligence Guidance for Responsible Business Conduct. The Guidance was published in May 2018, so it is quite new. It is not yet sure whether it will become well known or not.
- The Guía de Sustentabilidad de BMV may be known among experts in Mexico but it is not in the rest of the world.
- The SDG Compass is not comprehensive enough.

As a conclusion, ISO 26000 remains the only framework that is useful as a reference in external communication. It is known globally among experts, but it is not intended for certification. For this reason, most large European companies do not state that their sustainability management system is aligned to ISO 26000 or a similar framework. Instead of referring to a certain framework these companies describe their sustainability management system on their website or in their sustainability report.

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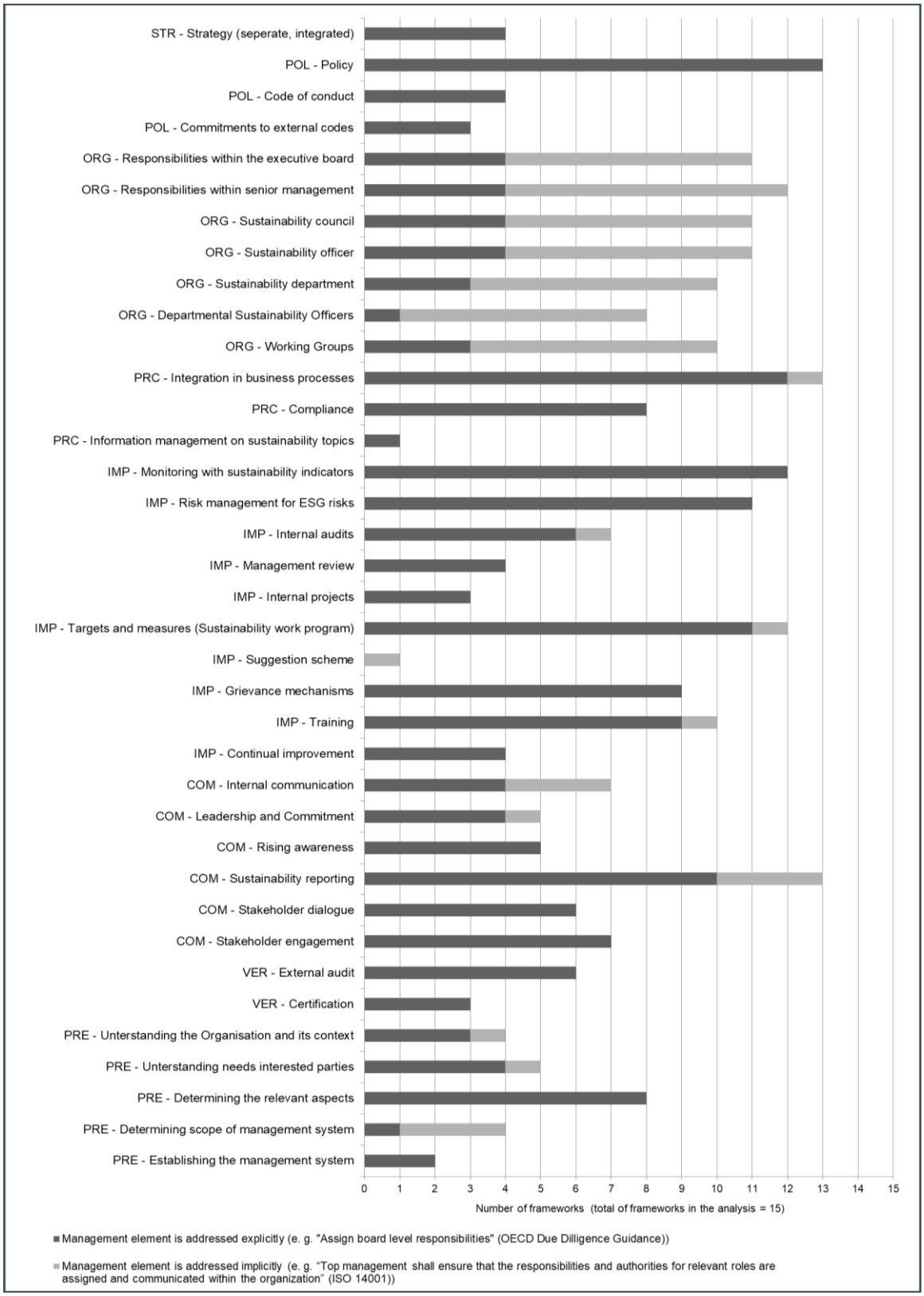
Annex

Annex 1: Quantitative evaluation of the comparison of the frameworks

Figure 27: Frequency of reference to the management elements in the frameworks



Annex 2: Perspectives of Chilean, Mexican and German experts on the importance of the management elements

Graphics are in Spanish. For English readers:
Poco importante = minor important
A veces relevante = in some cases important
Importante = important
Muy importante = very important
No sé = don't know

Figure 28: Importance of policies and rules (managers from Chile, Mexico, and Germany)

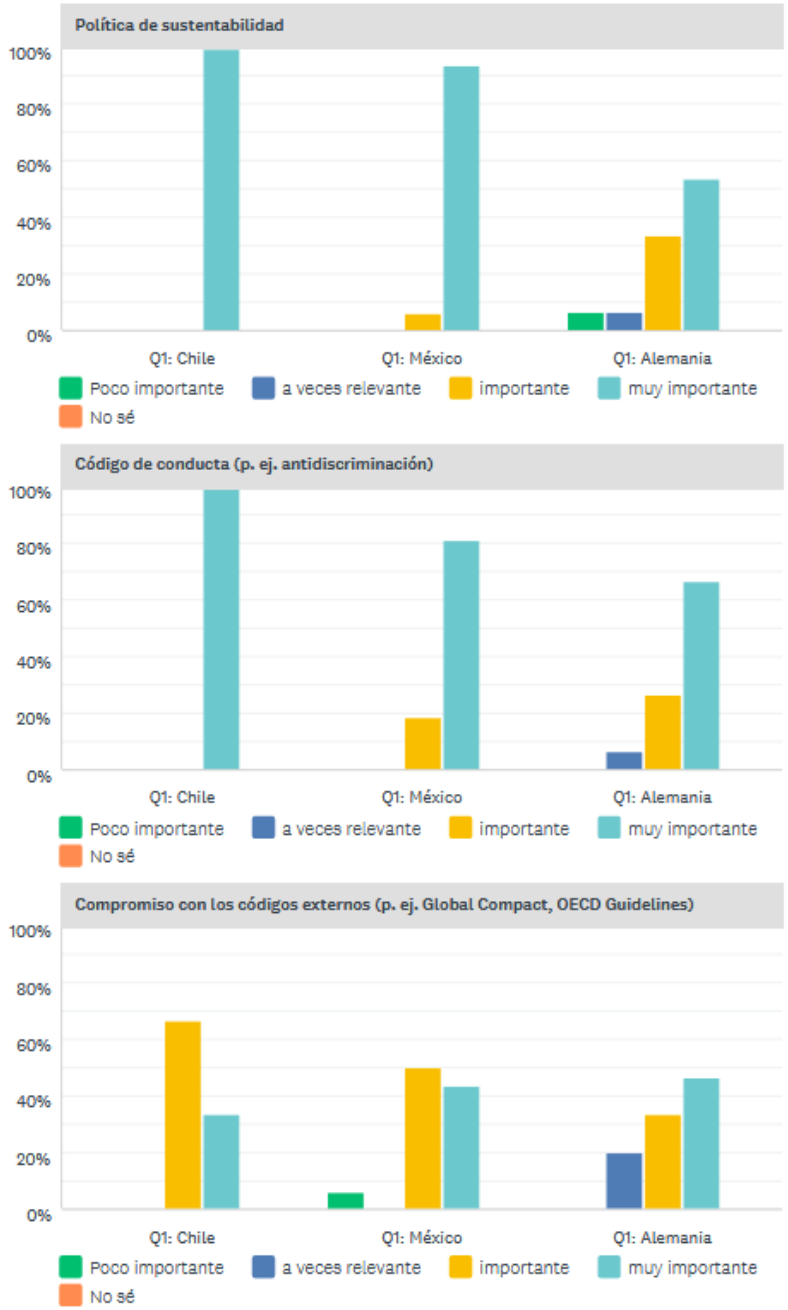


Figure 29: Importance of the organizational structure (managers from Chile, Mexico, and Germany)

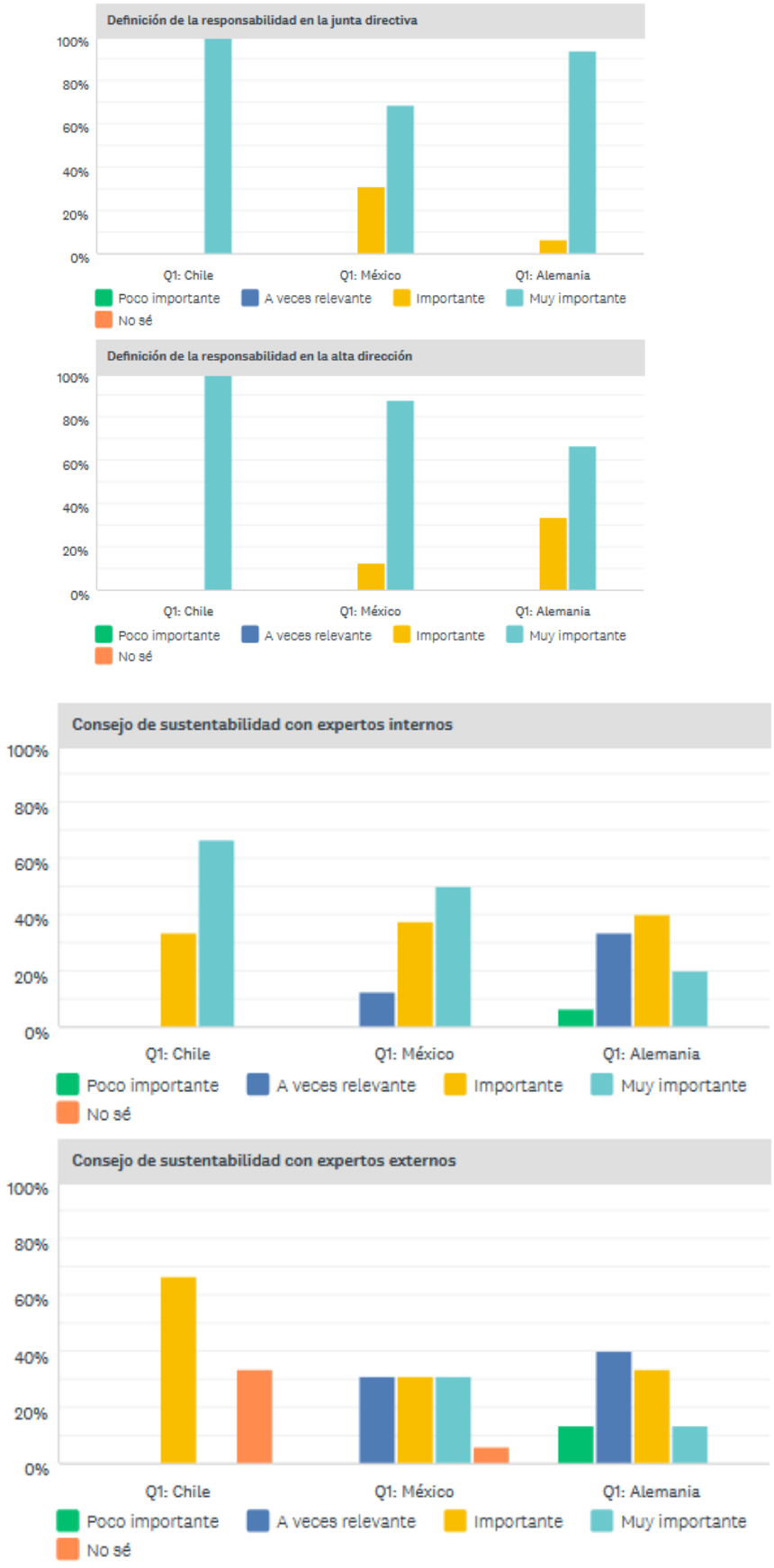


Figure 30: Importance of processes (managers from Chile, Mexico, and Germany)

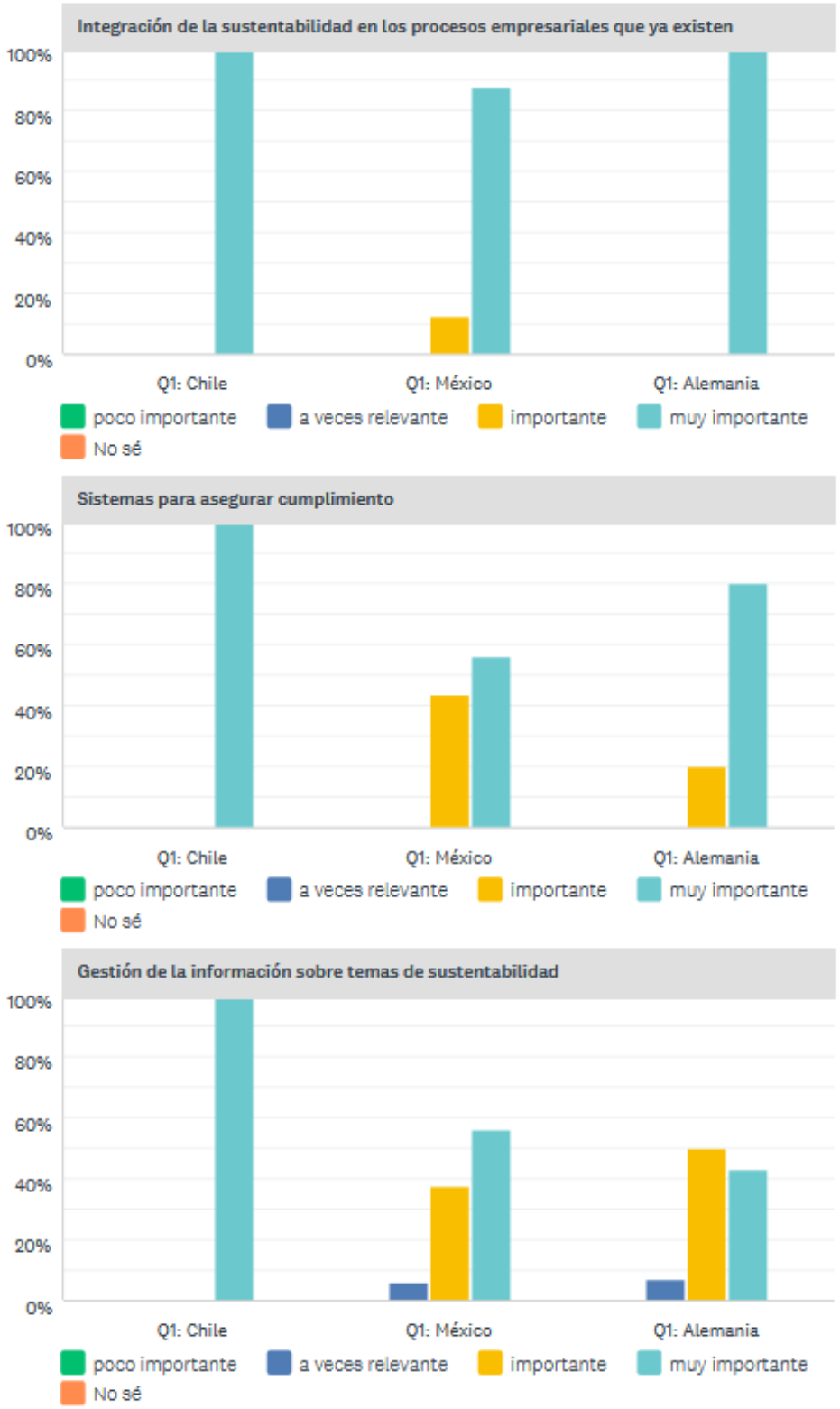


Figure 31: Importance of communication (managers from Chile, Mexico, and Germany)