

SUSTAINABILITY ON THE AGENDA OF LATIN AMERICAN C-LEVEL EXECUTIVES 2022



CEOs and senior executives of companies in the region analyze the progress of the sustainability agenda in their markets and its impact on their businesses, provide forecasts and identify future trends.

Introduction

a year of change

Over the last 24 months we have seen organizations from every sector and industry worldwide either begin or accelerate transformation programs designed to improve the way they work, relate to the environment and connect with their suppliers and employees. The goal is sustainability.

Latin American companies are part of this enormous effort. Some of them decided to initiate the process driven by a deep belief in the contribution they could make to the United Nations Sustainable Development Goals (SDGs). Others were motivated by the demands of their customers, employees or value chains, all of which clearly impact their organizations' reputations. In either case, it is important to understand the trajectory and results of this journey Latin American businesses have chosen.

CIO Research, a leading market research firm specializing in the C-Suite segment of Latin America, and SEEKMENT, a leader in data analytics and CEO surveys of major companies in the Americas and Europe, conducted a study commissioned by SAP for the second consecutive year on the current status of the sustainability agenda in Latin American businesses.

As a result, at the end of 2021 more than 410 senior executives from prominent midsize and large companies in Argentina, Brazil, Colombia and Mexico shared information on their motivations for carrying out sustainable development programs, the barriers they encounter on a daily basis, the role of technology in business, and their projections, including the outlook for 2022.

Based on their answers, the map of Latin America today shows a heterogeneous mix of companies in terms of situations and contexts, differences in results by country, and by type of company - manufacturers or service providers. This new research helps to identify sustainability trends in the region, progress made up to now, and an agenda of opportunities for improvement. The major findings are presented in this report.



Sustainability, *an expanding agenda*

Since the conversation about sustainability and its role on the business agenda began, it was always important to determine whether sustainable development actions and programs are simply an expense, or if they have a monetizable business value. At the same time, we need to understand what impact they have on the bottom line.¹ And while studies have clearly demonstrated that sustainability and profitability are not mutually exclusive categories, there is new evidence that this perception has sharpened in the last two years.

The S&P Global Sustainability Index shows that the value of companies adhering to environmental, social and governance (ESG) criteria increased significantly in the last 24 months. This confirms an upward trend that has remained uninterrupted since 2012, and today has doubled the figures reported in that year.²

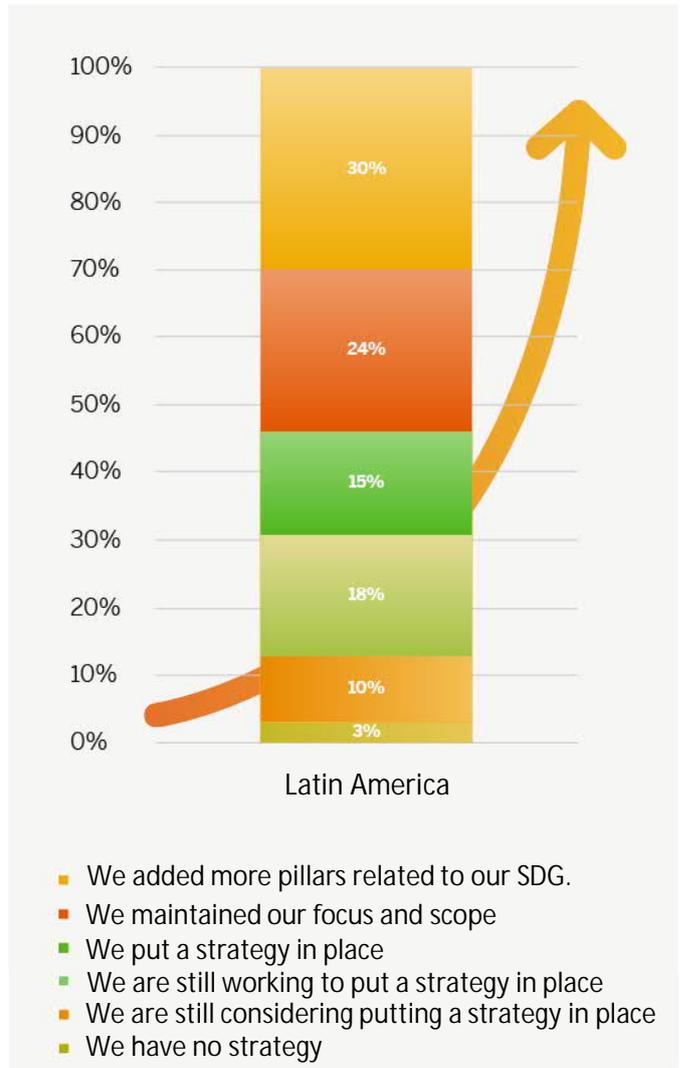
In this context, it is useful to understand how the sustainability agenda of Latin American companies has evolved, particularly over the last 12 months.

With more than 410 participating executives, at least 30% of survey respondents said they have added new pillars to their ongoing sustainability strategy, while 15% launched initiatives that were in development.

Furthermore, another 24% of the companies indicated that although they did not add new actions to their sustainability programs, they maintained the focus and scope of the strategy existing in 2021.

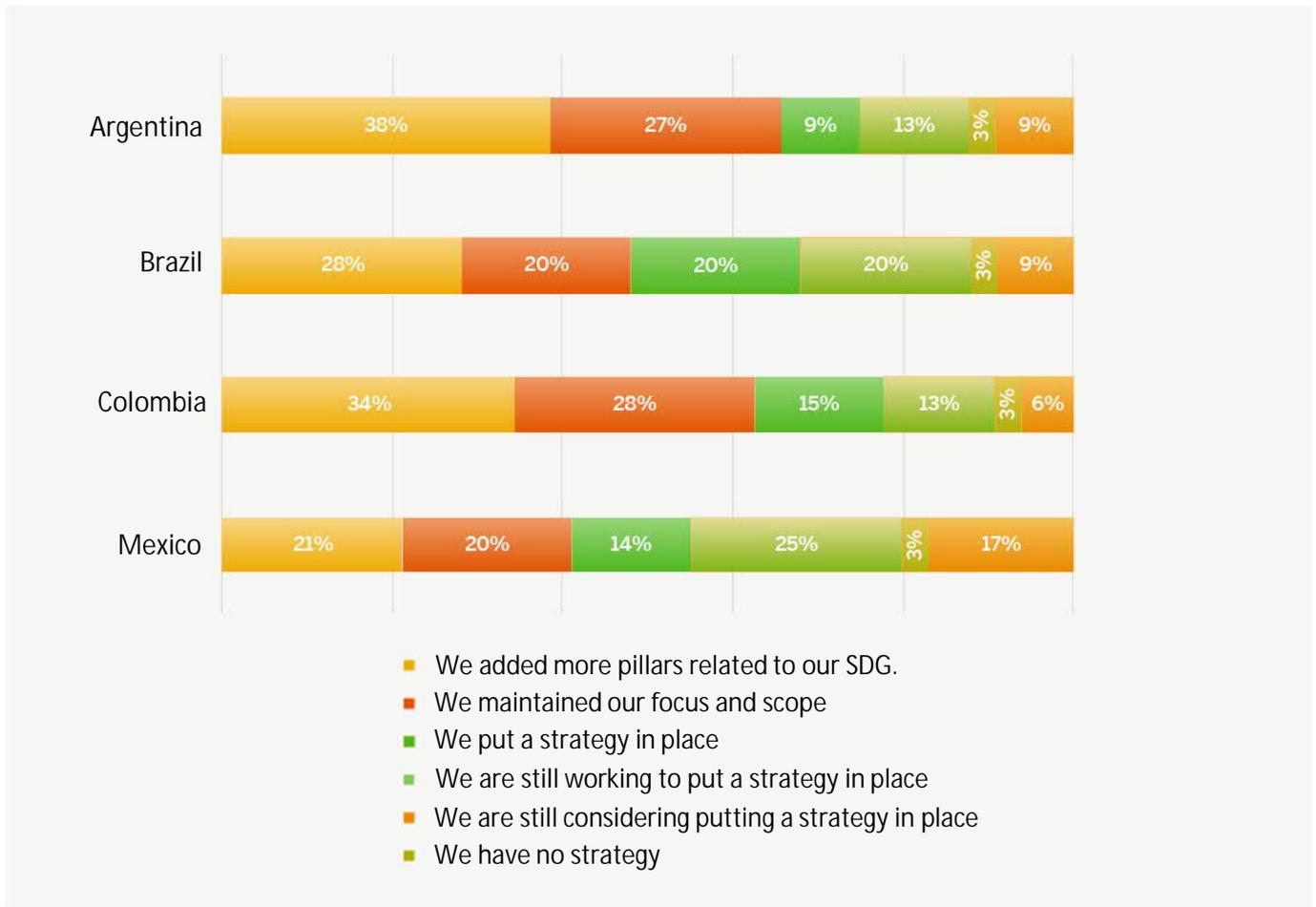
This means that 69% of companies today have a strategy in place, compared to 46% in the study presented in early 2021.

Figure 1 - How has your company's sustainability strategy evolved in the last 12 months?



In 2021, 46% of companies had a strategy already in place. In 2022 this number rose to 69%.

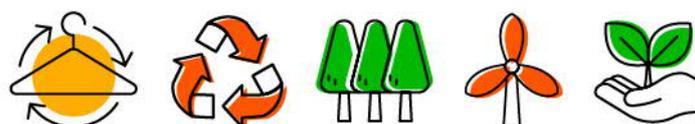
Figure 2 - How has your company's sustainability strategy evolved over the past year?



More than 20% of all enterprises polled in each country increased the number of pillars supporting their sustainability efforts over the past year. And while Argentina and Colombia seem to have made the greatest progress in increasing or improving existing programs, Brazil reported the largest number of companies that managed to actually implement a sustainability strategy during the year.

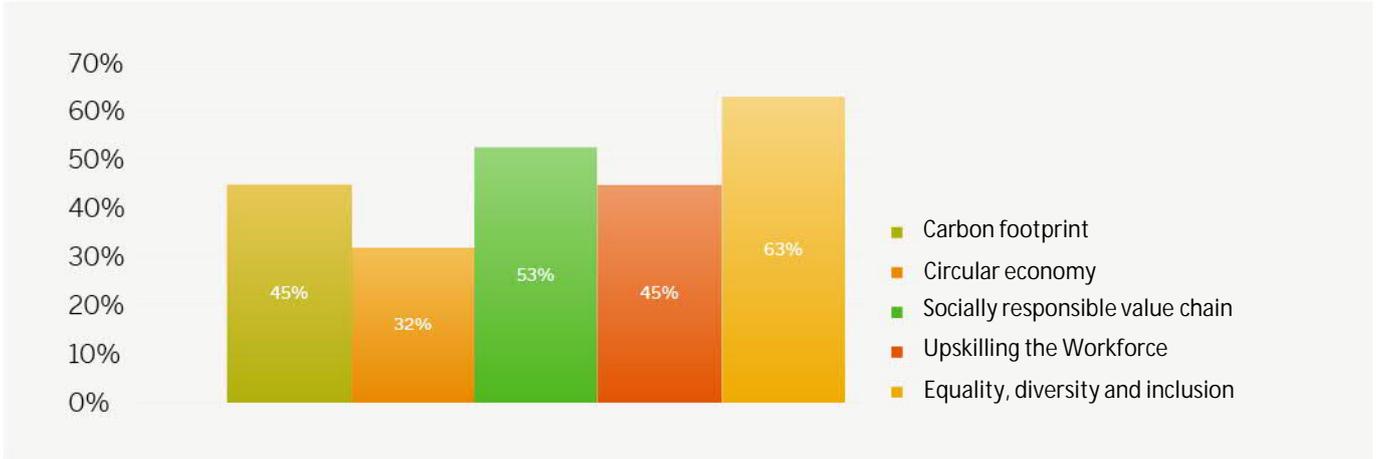
Mexico and Brazil show significant potential for change, given that 25% and 20% of respondents in those countries, respectively, said they were working on implementing a sustainability strategy.

In this context, we need to understand which elements regional organizations are focusing on. In effect, two major areas stand out that have a direct impact on companies' bottom lines: socially responsible value chains, and policies of equality, diversity and inclusion.



Sustainability starts with diversity

Figure 3 – What is the focus of your sustainability strategy? Latin America



Sixty-three percent of the businesses surveyed reported that they have focused on actions related to equality, diversity and inclusion (D&I), issues clearly on the agenda of the region and the world. In a recent document, the Inter-American Development Bank (IDB) said the equality, diversity and inclusion category was “a primary driver of the economic development of countries,” contributing to reducing poverty and improving conditions for the growth of future generations³.

Implementing sustainable actions can be complex, and many companies began their programs by meeting with all the players, first addressing D&I issues and then moving on to other topics, including climate change and the circular economy.

In keeping with an expanding global trend, the development of socially responsible value chains also has become more significant for 53% of regional enterprises. This does not necessarily mean that Latin American companies are already using sustainable value chains. But the companies leading in the use of supply chains have incorporated sustainability as a fundamental pillar for the long term. Utilizing their cost management and operational efficiency policies, they have succeeded in building agile, resilient and expanding organizations.⁴

In Latin America, this trend began to emerge in the study sponsored by SAP in 2021, when 18% of companies said they considered it “a great differentiator” for the sustainability efforts of their suppliers.



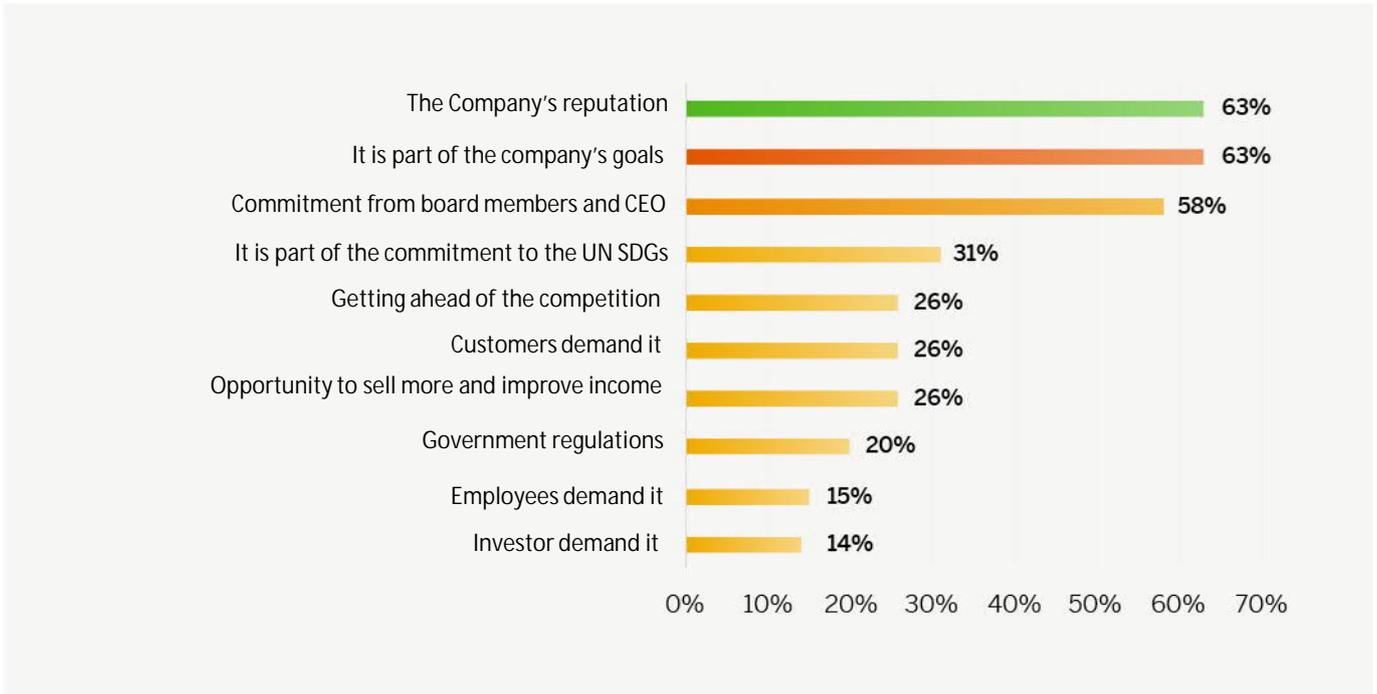
In the previous report, 18% of companies considered their suppliers' sustainability efforts “a great differentiator.”

Today, 50% are focused on this issue, ranked second in importance on the sustainable agenda. Still, there is a long way to go.

Motivations *and challenges*

To better understand the future prospects of these initiatives and indicators, we should ask what has motivated 87% of companies to be, in one way or another, working on a sustainable agenda.

Figure 4 - What are the drivers that motivate your company to have a sustainability strategy?



Six out of 10 companies are motivated by the fact that a sustainability strategy is part of the company's mission, as well as a key element in building and maintaining its reputation (63%). And for a large group of companies (58%), sustainability reflects a commitment by the CEO and the board of directors.

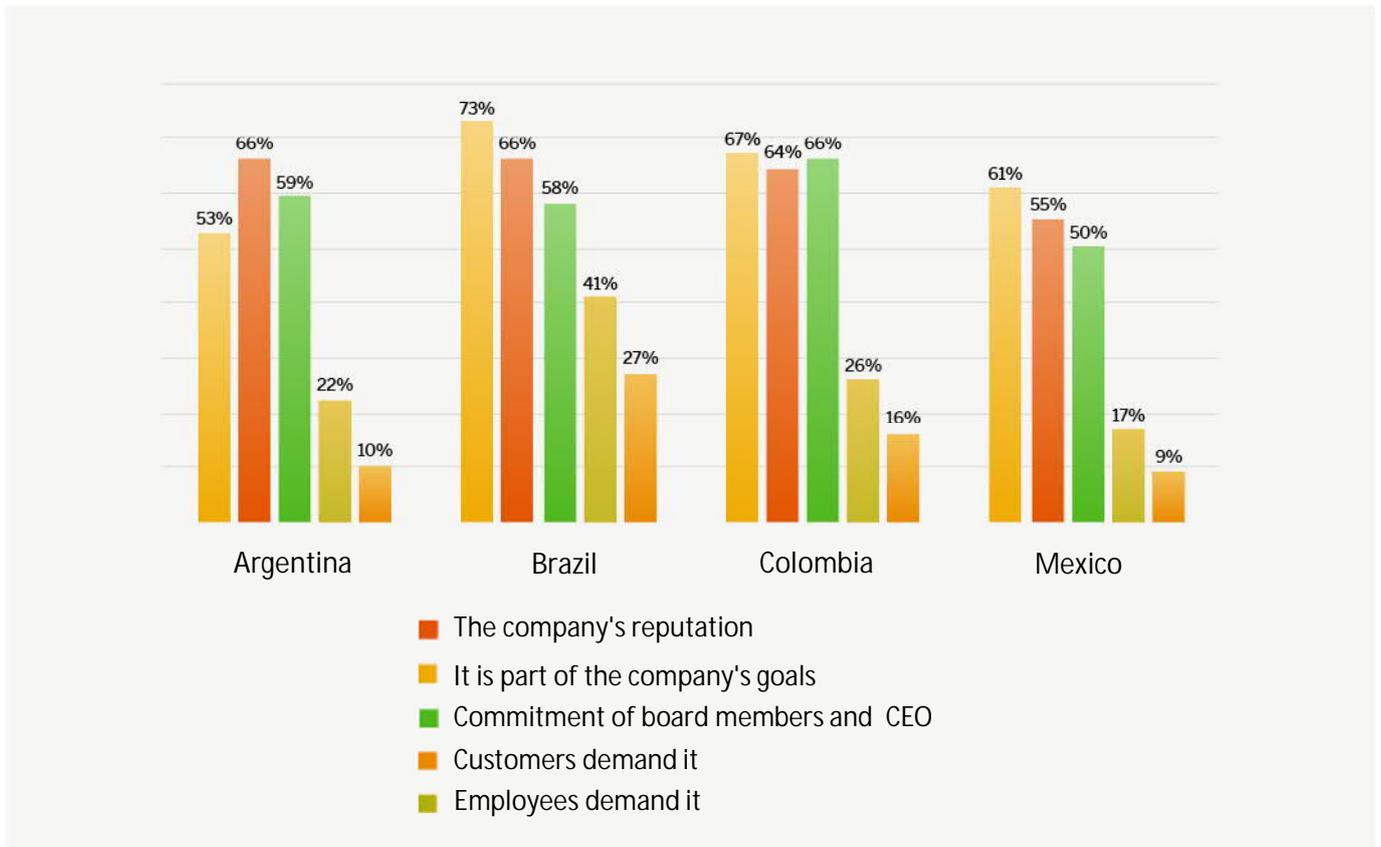
This is not new. It is a trend we already identified in the 2021 study, where 46% of executives indicated that customers valued their brand's sustainable practices.

This finding demonstrates a strong link with what is going on in the employment market, where 86% of millennials say they prefer to work in an organization whose values are aligned with their own principles.⁵

And it is indeed a key element, since millennials will comprise 75% of the labor market's economically active population in the coming years.⁶

For companies in the region, having a sustainability strategy is part of their purpose.

Figure 5 - What are the drivers that motivate your company to have a sustainability strategy?



While the trends are clear at the regional level, responses from individual countries show that motivation is ranked differently. Companies in Brazil, Mexico and Colombia, for example, report that a sustainability strategy is part of their corporate goals, with rankings of 73%, 67% and 61% respectively. Argentina is a different case, however. Businesses there said that their corporate mission is an important motivation, but that reputation carries a greater weight, at 66%.

However, the deployment of sustainability strategies still faces challenges. In many cases, these challenges become barriers to the execution of programs and actions within a company and impact their Sustainable Development Goals.



Figure 6 - What are the main barriers that your organization faces in implementing or increasing sustainability efforts?



The numbers speak for themselves: 46% of companies agree that they find it difficult to both demonstrate the return on investment generated by sustainability programs and measure the impact that implementing these programs may have on the business.

In addition to these issues, there is also a lack of clarity on how to implement sustainability actions in business processes (41%), and a lack of experience in carrying out these actions (30%).

46%

SEE DIFFICULTIES IN DEMONSTRATING ROI



Green shoots

Results require time, but companies are making progress

One of this study's most encouraging findings is that 40% of the executives consulted reported positive results of sustainability efforts at their companies. At the same time, 32% of respondents believe these actions form part of a longer-term strategy, covering a period of between 2 and 4 years.



In 2021, 40% of companies reported signs that their sustainability strategies were moving ahead.

Today, this same number of enterprises has seen clear results from the programs they implemented.

Clearly, Colombian enterprises stand out, with 53% of them reporting verifiable outcomes today, followed by Brazil (41%) and Argentina (35%). In contrast, 40% of Mexican companies polled expect results to develop within the next 12 months, with 29% already reporting concrete returns on sustainability investments.

Figure 7 - How long do you think it will take to see the business impact of your sustainability efforts?

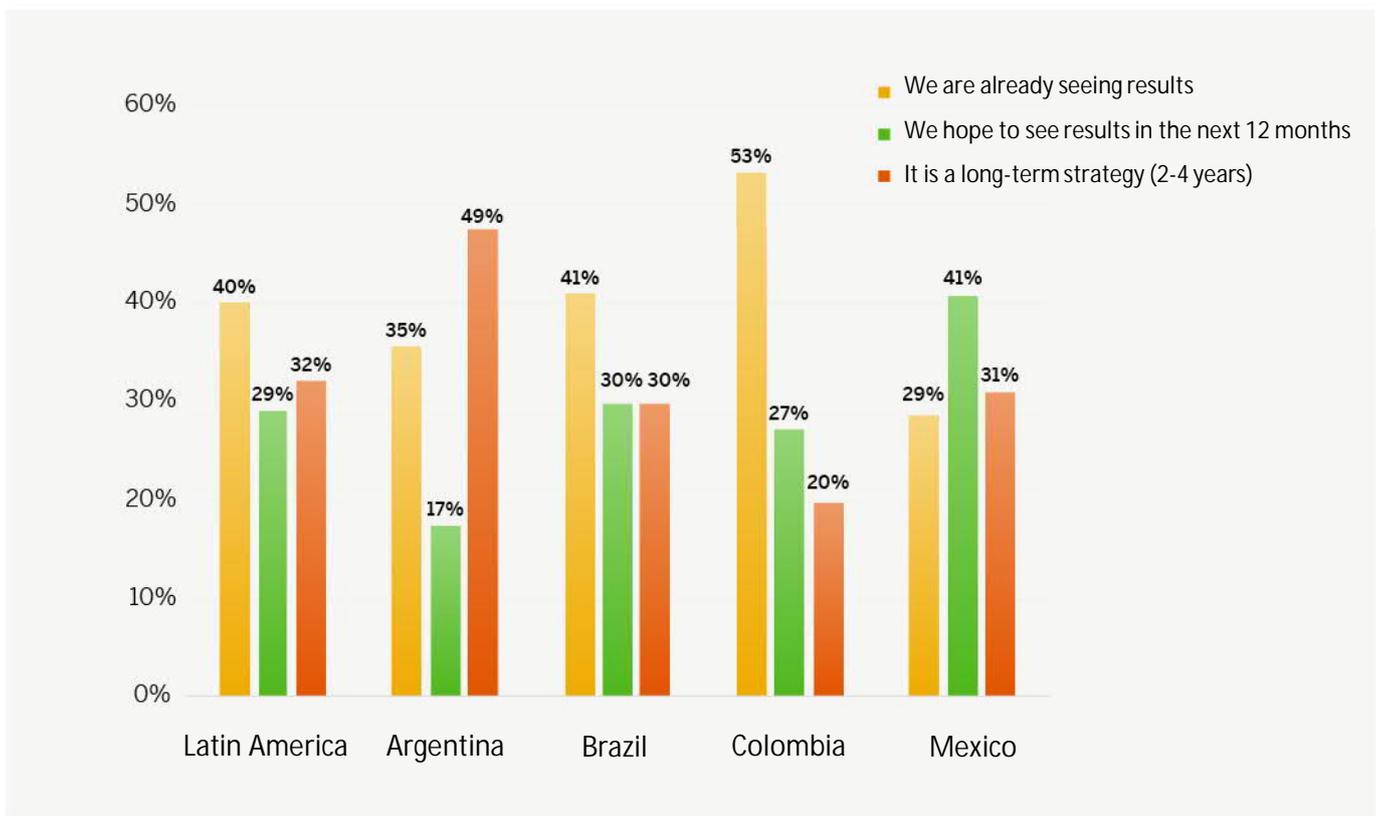
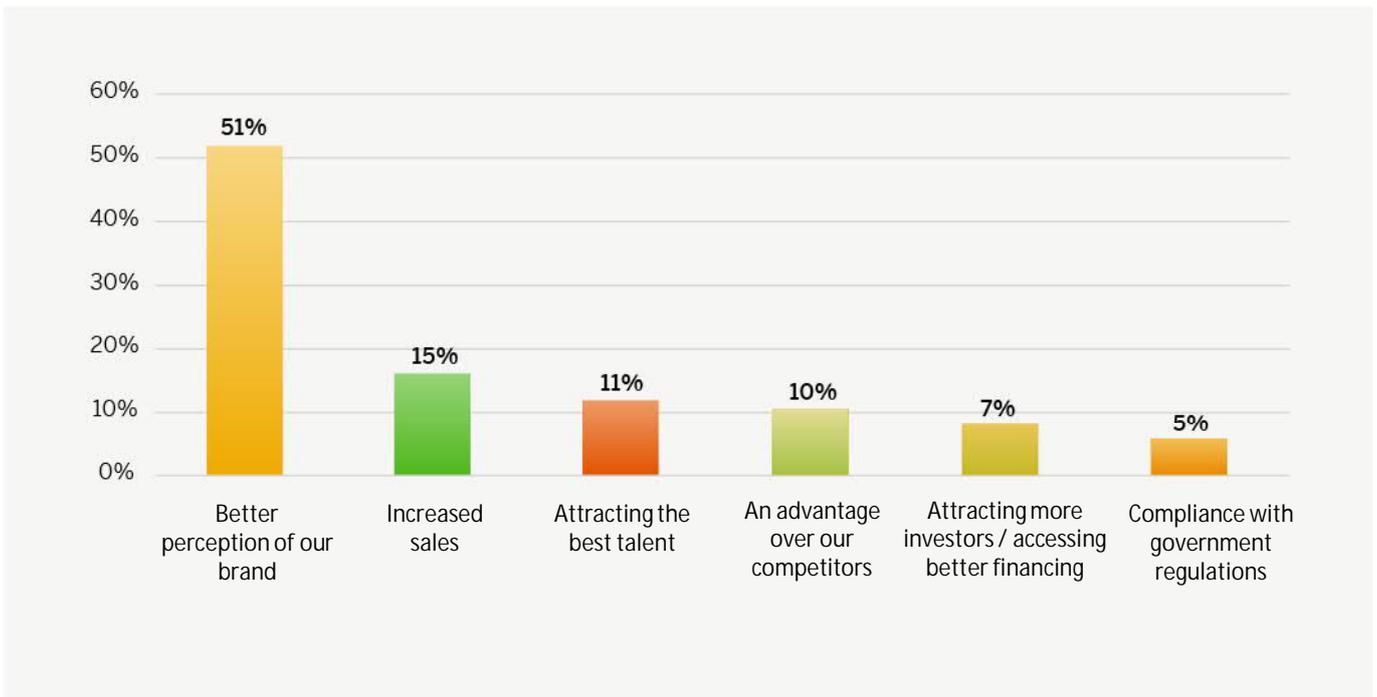


Figure 8 - What kind of impact do you expect your sustainability strategy to have on your business?



All the markets concur in two important areas: 61% of respondents at the regional level expect that part of their sustainability efforts will translate into a better perception of their brands, and 15% expect that they will also boost sales. These are some indications of how challenging it is for organizations to demonstrate actual return on investment. However, this difficulty could be eliminated in the coming months as companies invest in new tools for measuring key performance indicators.

Academic research has already demonstrated a clear link between the implementation of sustainability strategies and sales results. If a brand has a poor reputation, the success of new, sustainable products will be insignificant, and it is unlikely that the product will achieve the desired market results. Conversely, it has been established that a good reputation has positive effects on the sales of new products, so further investment in sustainability is likely to benefit the sales of all new products. This was recently documented by Jenny van Doorn, a professor at the Faculty of Business and Economics at the University of Groningen (Netherlands), in an article published in December 2021.⁷

Finally, it is important to note that these responses and the organizations' strategies could be modified in the event that the government policies of Latin American states begin to work on stronger regulatory frameworks structures or with greater controls over the enforcement of existing measures.

6 out of 10
 companies in the region
 expect the impact of their
 actions to be reflected in
 brand perception.

Policies

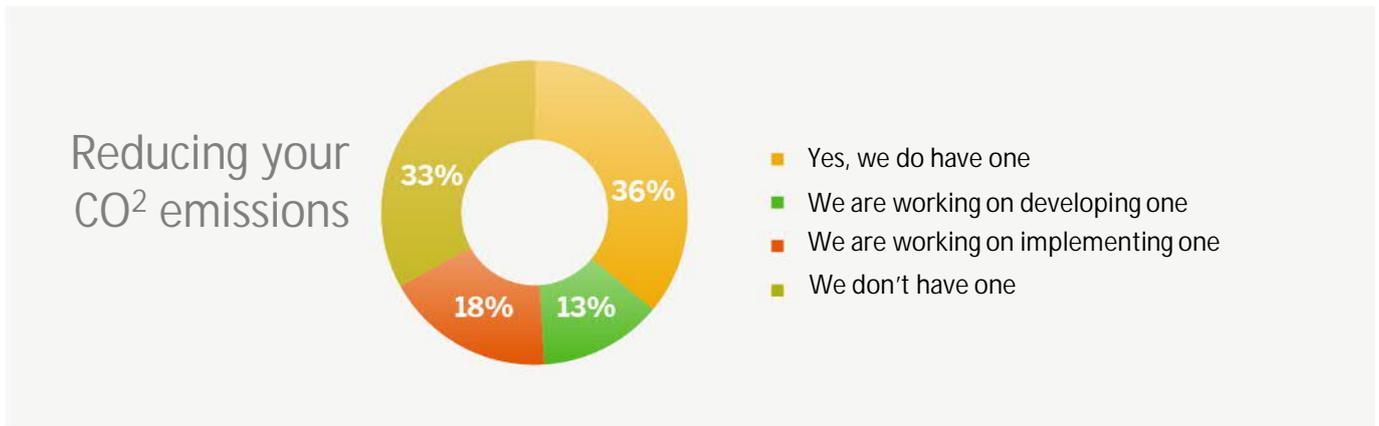
with an environmental impact

When asked about programs with a direct impact on the environment – specifically reductions of CO² - the findings identify different degrees of progress.

At the regional level, 36% of companies already have some type of initiative in place designed to reduce the carbon footprint, while 18% are working on implementing one. This issue represents a great opportunity for Latin American companies, as they respond to an urgent appeal for reducing carbon emissions globally, given that the world's manufacturing sectors are responsible for one-fifth of the world's production one-fifth of CO₂ emissions and consume 54% of the world's energy sources.⁸

At the country level, Colombia leads the way in this area, with 50% of companies already implementing actions to reduce their CO₂ emissions, followed by Argentina with 39%, Mexico 31%, and Brazil with 25%.

Figure 9 - Does your organization have a carbon dioxide reduction strategy?

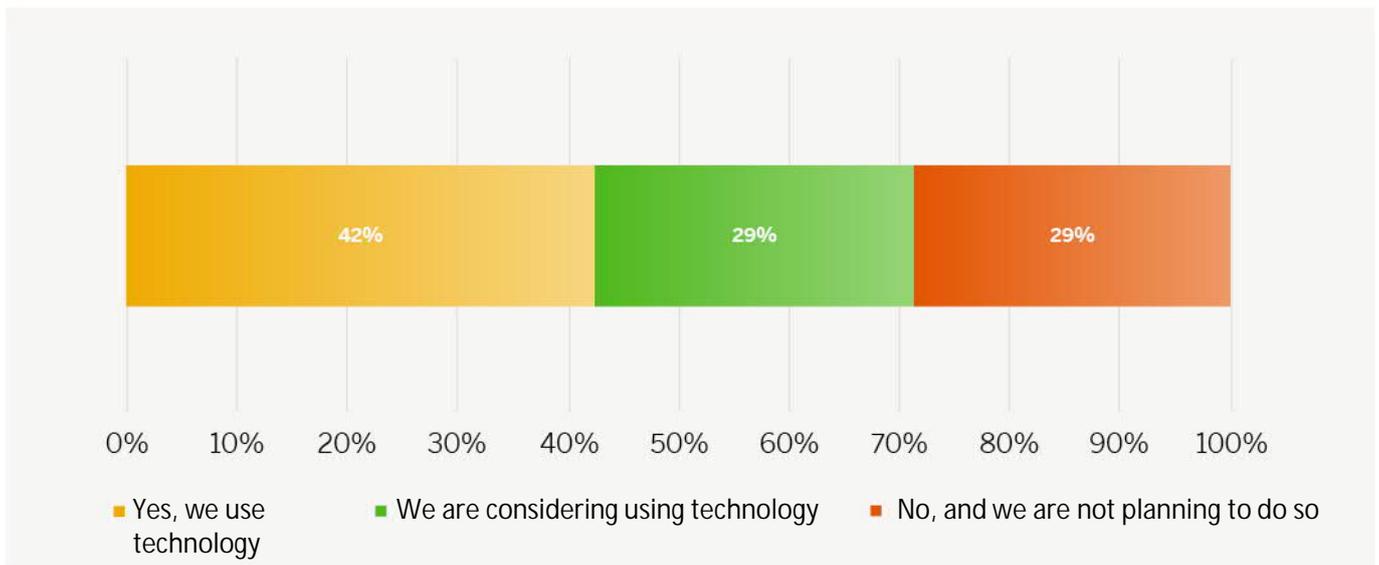


At the regional level, 36% of companies have some kind of carbon footprint reduction initiative and 18% are working on implementing one.

Technology and investment: *the catalysts of change*

Technology undoubtedly plays a key role for regional businesses in addressing challenges, quantifying actions already taken and measuring their outcomes. Currently, 43% of companies reported having some form of technology in place to manage and measure their sustainable activities. Add 29% of companies that are “considering using technology,” and the future is even more promising.

Figure 10 - Are you considering using technology to manage your sustainability strategies?



Colombia ranks as the country with the highest number of companies already applying some type of technology to measure the impact of sustainable actions (50%), followed by Brazil (45%) and Argentina (38%).

Asked about the potential for change, 40% of companies in Argentina are considering the use of technology for measurement, followed by Colombia (32%), Mexico (30%) and Brazil (15%). Brazil is perhaps the market with the highest degree of polarization between those who are already using technology (45%) and those who have not contemplated doing so (40%).

29%

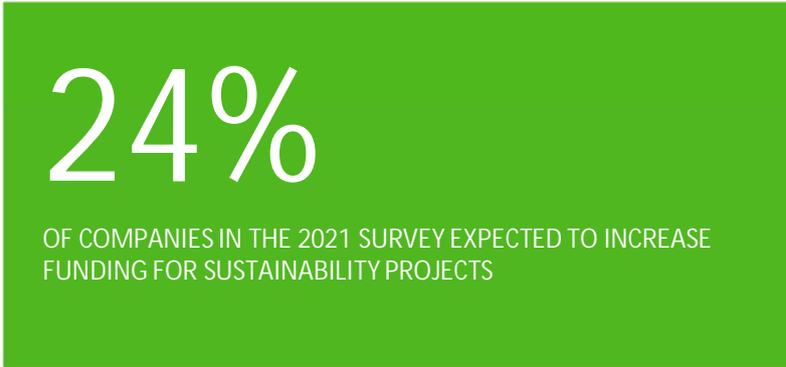
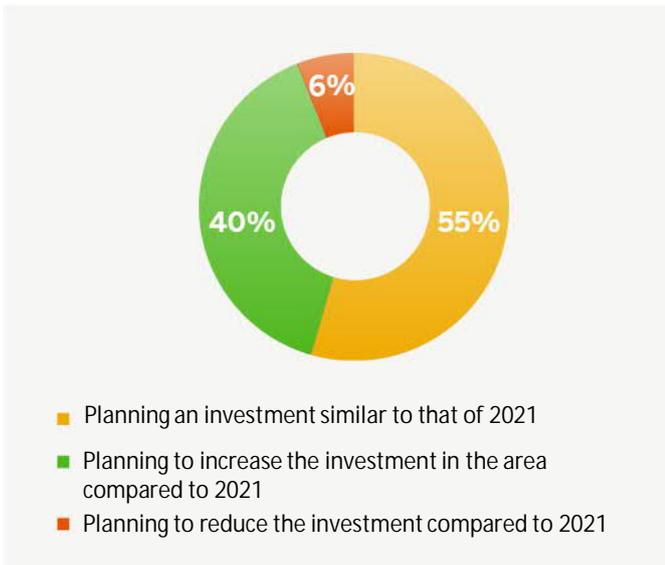
GROWTH POTENTIAL FOR ADOPTING TECHNOLOGY

Investment *on the rise*

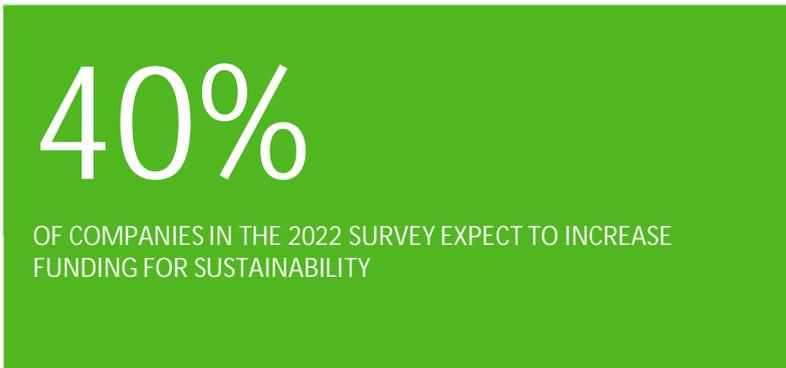
Data on the use of technology is strongly related to overall investment expectations for 2022. At the regional level, more than half of respondents (55%) said their investment in sustainability this year will be similar to that of 2021, while 40% plan to increase it. Colombia stands out for being the only market where the majority of respondents plan to increase investment (58%). The rest of the countries plan to maintain an investment level similar to 2021.

The higher rate of investment allocation may be related to the specific needs and regulations affecting some industries, such as mining, telecommunications, utilities and the chemical sector. New outlays may be required to operate in countries where they have a presence.⁹

Figure 11 - In the coming months, what are your plans to invest in sustainability initiatives?



VS.



Prospects *on the horizon*

Faced by the need to meet their corporate goals and protect their reputations, Latin American companies are making progress in implementing their sustainability strategies. However, questions remain as to how these programs will evolve, what effects they will have on the environment and on the communities where they do business.

AN EXPANDING AGENDA

In the study conducted in 2021, 46% of enterprises already had a sustainability strategy in place, 26% were working on implementing one, and 15% were considering such a strategy. One year later, the numbers show progress: Companies with an ongoing strategy reached 69% of respondents, and 21% indicate that they are working on implementing a program or analyzing the option of doing so. This suggests that in the future, the number of organizations with a sustainable agenda will grow.

SUSTAINABILITY STARTS WITH DIVERSITY

Whether we look at employees, customers or suppliers, actions to bolster equality, diversity and inclusion continue to move forward on the sustainability front. In a world where cultural transformation in the workplace has gained momentum after the pandemic, this topic will continue to be at the forefront of the conversation. In general, this is a fairly predictable indicator since many companies start their sustainability programs by addressing people-related issues, and then move to climate change or the circular economy, which are usually more complex areas.

CHAIN EFFECT

In 2021, we saw that value chain programs had a lot of room for growth, given that only 18% of respondents viewed sustainable efforts by their suppliers as a determining factor. Today, this topic moved up to second place on the executive agenda, and promises to gain even more relevance due to the multiplier effect of actions that impact the community and the environment.

MEASUREMENT SHOWS RESULTS, AND TECHNOLOGY PLAYS A KEY ROLE

Implementing measurable, evidence-based systems is one of the main challenges for companies developing sustainable strategies. In fact, 42% of executives already use technology to implement and measure their sustainable strategies. Another 29% are working to bring concrete evidence of their sustainability programs to the decision-making table. The need to substantiate the benefits of sustainability will drive demand for technological business solutions, as well as new investment in these solutions.

INVESTING TO MOVE FORWARD

Corporate budgets confirm a company's commitment to good intentions. The good news is that 40% of the companies polled are considering increases in sustainability spending in 2022, compared to 2021.



Information *by country*



Methodology

The results of the study presented in this document are based on a survey conducted between November and December 2021 in Argentina, Brazil, Colombia and Mexico, with 416 CEOs and other senior executives at large and medium-sized companies with operations in those countries.



- The majority of executives interviewed are CEOs (32%), followed by CMOs (18%) and CIOs (11%).
- 68% of respondents work in service companies, while the remaining 32% work in the manufacturing sector.
- Manufacturing companies in the survey represent the following industries: oil and gas, mining, agribusiness, automotive, pharmaceutical, construction and consumer goods.
- Service company participants include financial services (banking and insurance), travel and entertainment, retail, healthcare and telecommunications.

External references

The following external references have been consulted to supplement and contextualize the information gathered in this new edition of “Sustainability on the agenda of Latin American leaders.”

1. Knut Haanaes, David Michael, Jeremy Jurgens, and Subramanian Rangan; “Making sustainability profitable”, Harvard Business Review, 2013. Link <https://hbr.org/2013/03/making-sustainability-profitable>
2. El Dow Jones Sustainability™ World Index comprende a los líderes globales en sostenibilidad según los identifica Robeco- SAM. Representa al 10% más alto de las 2.500 compañías más grandes en el S&P Global BMI basado en criterios económicos, ambientales y sociales de largo plazo. Fuente: [Dow Jones Sustainability Indices – Annual Review 2020 :: News :: ChemistryViews](#)
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