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**ANALYSIS OF THE INTEGRATION OF CORPORATE SUSTAINABILITY IN
BUSINESS SWEDEN AS AN EXPORT PROMOTION AGENCY (2013-2017)**

Formative activity equivalent to thesis: Case study to qualify for the degree of Master in International
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INTRODUCTION

Trade Promotion Organisations (TPO) play a very important role in the process of internationalization of companies in a country. The institutional, technical and operational supports that they offer at a strategic level in the destination markets are usually decisive for national exports¹. According to a joint study by the International Trade Center (ITC) and the European Trade Promotion Organisations (ETPO)², one dollar spent on export promotion generates 87 dollars of additional exports. According to this study, a 1% increase in export promotion budgets worldwide generates an increase in global exports by 0.074%. In this sense, it has been demonstrated in the literature that there is a real value in the investment in promotion of exports by the States.

TPOs share certain challenges regarding proving stakeholders the return of investment, choosing the right strategy with available resources to the types of exporters or potential exporters, and to different sectors and activities in order to maximize impact; and also about implementing the type of governance structure that will best support the objectives of the TPO³. The idea of maximizing the impact with the available resources responds to basic economics. Nevertheless, there should be a clear intention towards export promotion, if it is about exporting more or if it is about generating more social and economic growth.

In such sense, the conclusions of ITC and ETPO draw a picture where the questions move forward to whether export promotion generates social and economic growth; and furthermore, which are the best characteristics a TPO should have to fulfil such objectives. According to the results:

TPOs that have a larger share of their executive board in the hands of the private sector, spend a smaller share of their budget

¹ International Trade Centre, and the World Trade Organization (2009) *Export promotion and the WTO: a brief guide*.

² International Trade Centre (2016) *Investing in Trade Promotion Generates Revenue*. Online document. Retrieved from:

http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/160204-Investing%20in%20trade%20promotion_low-res.pdf (Accessed March 14, 2018)

³ *Ibidem*.

on small firms, a larger share on established exporters, and target a few sectors, firms or markets have higher export returns. Some of these characteristics also tend to matter for GDP per capita returns: a larger share of the budget spent on established exporters seem to generate larger GDP per capita returns⁴.

The above proves that a TPO that complies with such characteristics generate both higher export returns and GDP per capita return, contributing to an increase on export revenue and generating social and economic growth. This is the case of Business Sweden, the Swedish Trade and Invest Council⁵. This TPO has several characteristics in terms of its board structure, export promotion strategy and sustainability policy that makes it a unique case study for revising a TPO's impact on society, through the way it supports companies in their internationalisation process.

In the process of internationalisation, which TPOs follow and support closely, companies face different challenges and risks, which have been changing overtime. The Global Risk Report of 2018 presented by the World Economic Forum provides a picture of the highest risks that the world is facing, but mostly, they showcase how the risks have rapidly move from a mere "economic" or conventional risks framework towards new categories that feature geopolitical, environmental and even technological risks as the most relevant in terms of impact and that are most likely to happen.⁶

⁴ *Íbidem*.

⁵ Business Sweden is both an export and invest promotion agency, furthermore its main mission is a) to help Swedish companies increase their global sales and; b) to help international companies invest and expand in Sweden. The first objective is the one related to export promotion and the second to invest promotion. For the purposes of this research, focus will be on the first objective of its mission that has a direct impact on Swedish companies and their sustainable business practices in Sweden and abroad. In this sense, the invest promotion area which is also part of Business Sweden's purpose will be out of the spectrum of this case study, being this topic an area of development for different international tools and resources.

⁶ World Economic Forum (2018) *Global Risks Report 2018*. Online document. Retrieved from: <http://reports.weforum.org/global-risks-2018/global-risks-landscape-2018/#landscape> (Accessed on: June 23, 2018)

Figure 1: Top 5 Global Risks, WEF



Source: World Economic Forum, Global risk report 2018.

Given this dynamic environment, the idea of **corporate sustainability** within an organisation evolves into a necessity to count on the tools to identify, prevent and mitigate such risks related to environmental, social and governance (ESG) in order to guarantee the shareholder values in the long term.⁷ TPOs as organizations, and especially those as Business Sweden, which not only respond to public sector but are somehow private organisations, have a necessity to integrate corporate sustainability management to its operations.

The current changing environment has taken for surprise many companies in history, as many of the corporate crisis that have ended in big revenue drops or even the extinction of companies can be easily related to their incapability of preventing and mitigating emerging or new risks. This can be explained as many companies still use the same approach of conventional financial risks to address these extra-financial

⁷ RobecoSAM (2018) *Corporate sustainability*. Online webpage Retrieved from: <http://www.sustainability-indices.com/sustainability-assessment/corporate-sustainability.jsp> (Accessed on: June 20, 2018)

issues, often related to environmental, social and governance (ESG). And therefore, studies have identified a deep low in terms preventive approach.

We live in an era of unprecedented volatility. Trends across three major dimensions—economics, demographics, and geopolitics—combined with the exponential pace of technology change, are converging to create a challenging new reality for organizations around the world. While these forces create new and sometimes unforeseen opportunities, they also create new risks, which must be managed, often in new ways⁸.

In the context of a hyper transparent society with broad access to digital connections companies often have not reached a full understanding of how this can affect them⁹. According to international studies and materiality research, these new trends are reshaping our world and having great impact on the way to do business.

Such challenges create new opportunities and risks that companies must address today to remain competitive tomorrow. Companies that anticipate and manage current and future economic, environmental and social opportunities and risks by focusing on quality, innovation and productivity will emerge as leaders and are more likely to create a competitive advantage and long-term stakeholder value.¹⁰

The “business case” of sustainability is about the positive effect of mitigating such risks in the increase of revenues of an organisation, deeply related to an increase in profitability. Thus, in terms of relating sustainability and profitability, in 2014

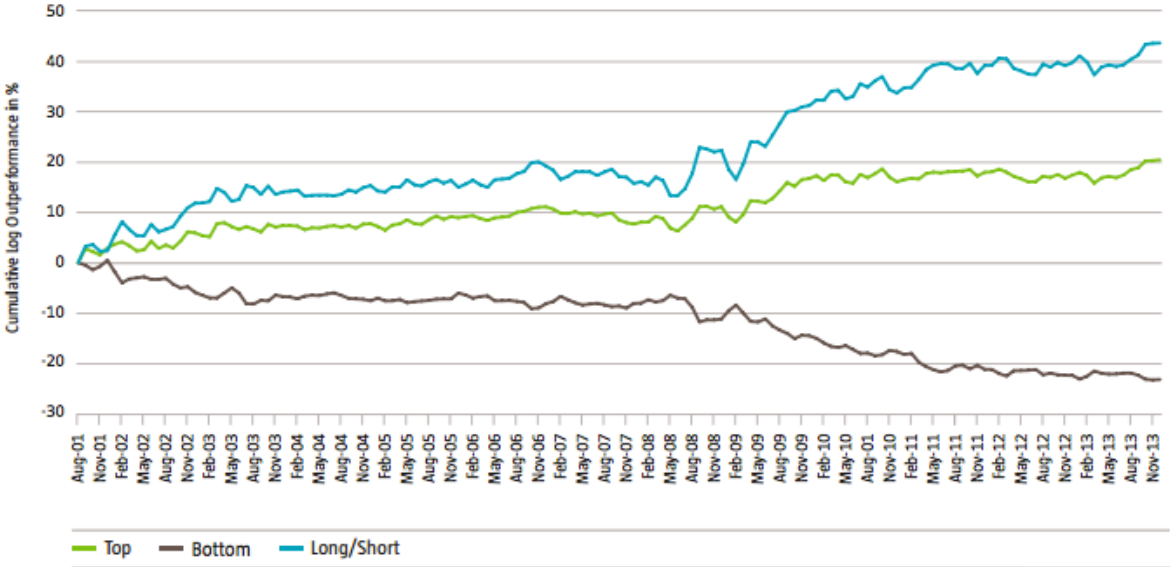
⁸ AON (2018) *Global Risk Management Survey 2017*. Online document. Retrieved from: <http://www.aon.com/2017-global-risk-management-survey/pdfs/2017-Aon-Global-Risk-Management-Survey-Full-Report-062617.pdf> (Accessed on: June 23, 2018)

⁹ MIT Sloan Management Review (2016) *Leading the age of super transparency*. Retrieved from: <https://sloanreview.mit.edu/article/leading-in-the-age-of-super-transparency/> (Accessed on; June 23, 2018)

¹⁰ RobecoSAM (2018) *Corporate sustainability*. Online webpage Retrieved from: <http://www.sustainability-indices.com/sustainability-assessment/corporate-sustainability.jsp> (Accessed on: June 20, 2018)

RobecoSAM has developed a study of Corporate Sustainability Assessment with 456 companies from approximately five portfolios, in a time horizon of ten years which demonstrated a superior performance of companies which were integrating a higher sustainability management, specifically in terms of how much investment they have attracted in an average annualized performance of a portfolio in terms of the benchmark.

Figure 2: Corporate Sustainability Assessment 2014, RobecoSAM

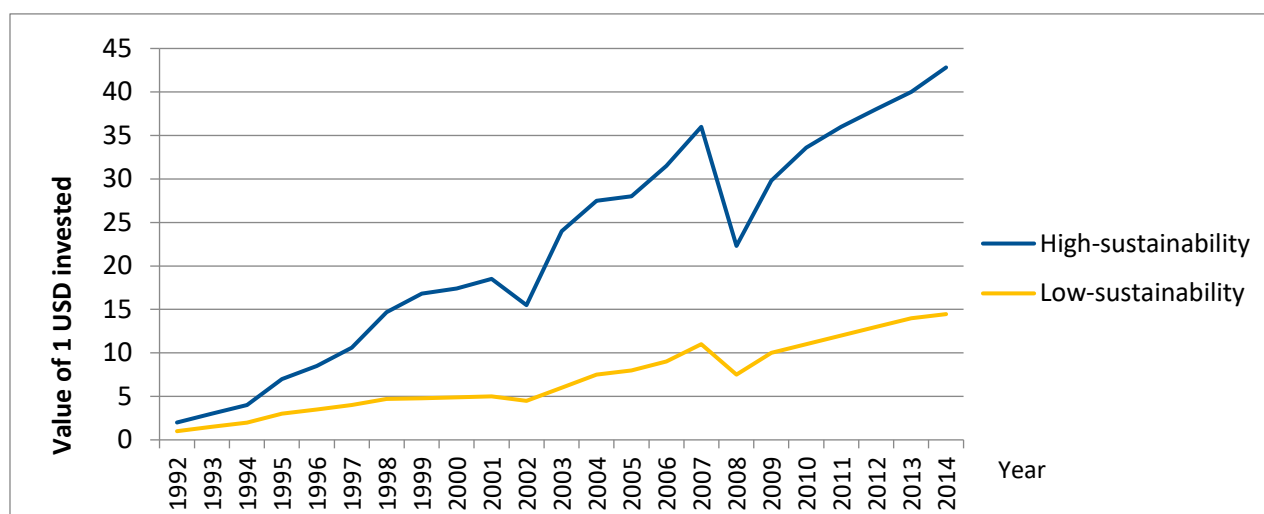


Source: Centro Vincular-PUCV, 2018.

Following the same logic, **Harvard University**¹¹ has found evidence of the materiality of sustainability link to profitability in terms of the performance of a US dollar invested in companies with low and high sustainability management policies in act. These results are similar to the ones presented by RobecoSAM, proving that corporate sustainability management has a direct positive impact on revenues and financial performance.

¹¹ Harvard University (2015) *Corporate Sustainability: First Evidence on Materiality*. Online document. Retrieved from: <https://dash.harvard.edu/bitstream/handle/1/14369106/15-073.pdf?sequence=1> (Accessed on: June 23, 2018)

Figure 3: Correlation between sustainability and profitability.



Source: Corporate sustainability: first evidence on materiality. Harvard Business School, 2015.

Pursuing the same relation between sustainability and profitability, other internationally recognised institutions such as Oxford University¹² and the Deutsche Bank, have found materiality that proves this correlation, highlighting the relevance of including this approach to conduct business responsibly. This academic and specialized research has also been progressing along with international governmental organisations such as the Organisation for Economic Cooperation and Development (OECD) and United Nations (UN), developing instruments and working models for organisations to handle such risks.

This explains the reason why in recent decades stakeholders, investors, consumers and government's attention to the role of companies has shifted from how much they export to how they export, that is, what is the impact that companies have on society, particularly in developed countries. For these economies, the question has risen up to what type of values companies are exporting to international markets along with their products and services; this is the case of Sweden.

The Swedish Government's policy on sustainability has a direct impact on Business Sweden, since it is 50% owned by the Swedish Government and 50% by the private

¹² Oxford University (2016) *Corporate sustainability and profitability are interrelated*. Online article. Retrieved from: <https://sustaincase.com/oxford-university-corporate-sustainability-and-profitability-are-interrelated/> (Accessed on: June 23, 2018)

sector. And as every other TPO, working directly with Swedish companies in their effort to increase their global sales¹³, they have a quite unique role and influence on the way companies export, especially in terms of negative impacts that need to be reduced; and risks that need to be prevented and mitigated.

General objective

To analyse the integration of sustainability principles in Business Sweden, Swedish export promotion agency, as a leading country in sustainability in the period 2013 - 2017.

Specific objectives

1. To review the main sources of international principles and guidelines related to corporate sustainability and how of Sweden applies them:
2. To describe Business Sweden as a Trade Promotion Organisation (TPO) and the mandate that the Swedish government assigns in terms of corporate sustainability;
3. To analyse the formulation of a sustainability policy in Business Sweden and its incorporation to its strategy, instruments and service offerings
4. To identify best practices regarding the inclusion of sustainability principles in export promotion agencies

Generation of hypothesis

Business Sweden as an export promotion agency of Sweden has a sustainability policy integrated to its strategy as a response to the Swedish government's mandate on sustainable business.

Methodology

It is necessary to clarify that there are many economic, political, regulatory, cultural and legal factors that, directly or indirectly, affect the performance, effectiveness and success of export promotion agencies in their task of supporting companies in their process of internationalization. For the purposes of this case study, the focus will be

¹³ The present case study interprets "company" or "enterprise" as a comprehensive concept, which includes private companies and State-owned companies. This distinction is important as of Sweden is internationally recognized by establishing harsher regulations and demands on State-owned companies, enabling the use of the refrain "leading by example", in order to extend such regulations and demands toward private companies operating in Sweden and Swedish companies abroad.

the sustainability of their operations in their task of promoting exports in a socially responsible manner.

Chapter one, will revise international instruments that provide a framework for studying those variables that should be present in the processes of internationalization of companies, as well as in their operations.

Chapter two, such international instruments will be compared and studied from a public policy perspective, by deepening into the Swedish Government's policy on sustainability, through its Ministry of Foreign Affairs and Ministry of Industry and Innovation, and other public institutions. This study will also revise the Programs that the Swedish government has engaged into such as the European Union's initiatives.

On chapter three, an overall revision of Business Sweden as an organisation will be focused on the revision of its objectives, strategy and the type of offerings for Swedish companies, opening the discussion for the existence of sustainability principles within the agency.

On chapter four, the revision will comprehend the configuration of the sustainability policy-making process, the explanation of the sustainability strategies and instruments it applies both internally and externally; and the way the organisation integrates this vision to their service offering. Interviews to the top Sustainability Management and other collaborators such as the Senior Legal Counsel of the organisation have been conducted in order to gather a direct perception of how these initiatives are applied.

Finally, on chapter five, these results will be analysed by identifying best practices to integrate these principles in TPOs both in their internal operations and in externally, by supporting companies in their internationalisation process. Also, to draft recommendations to fulfil the realisation of an effective sustainability management.

CHAPTER I - ANALYTIC FRAMEWORK

Evolution of international sustainability instruments

Throughout the years, sustainability has acquired different meanings in terms of what does the concept involves. In 1970's there was an on-going discussion when the concept of "sustainable development" emerged in the text "Our Common Future" by former Norwegian Prime Minister Gro Harlem Brundtland, in her role as Chair of the World Commission on Environment and Development (WCED). This Report established the concept of sustainable development in an attempt to link ecology and economy, by stating: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."¹⁴

However, the discussion has moved from the ecological side to the aspect of human rights, as the protection of the environment has a final aim to protect human ecosystems and human settlements. In this sense, there has been a progressive evolution of the concepts and terminology, in line with the discussion. This evolution has gone through the contemporary concept of "corporate social responsibility" defined by ISO 26000 as "the responsible voluntary behaviour of companies towards society, and presupposes the compliance of the law by them", which was mostly related to a philanthropical and charity perspective; and led to a new conception more related to a responsibility and risk preventing idea of "corporate sustainability", which according to the UN Global Compact¹⁵ is "a company's delivery of long-term value in financial, environmental, social and ethical terms."

The shape of the discussion has been printed along the instruments that have arisen as a result of the emerging necessity to involve companies into the successful management of its risks related to sustainable development. Most of these instruments respond to the work of groups of experts in international forums from United Nations System and others from groups of developed countries such as OECD. It is worth highlighting that despite the different contexts that each instrument has been creates,

¹⁴ World Commission on Environment and Development (1987) *Our Common Future*. Oxford University Press.

¹⁵ UN Global Compact (2015) Guide to corporate social responsibility. Online document. Retrieved from: <https://www.unglobalcompact.org/library/1151> (Accessed on: June 21, 2018)

there is a remarkable harmony in the principles they share and the objectives it aims to.

OCDE Guidelines for Multinational Enterprises (1976)

This instrument was created in 1976, marking a milestone as the first guidelines made by a group of 34 governments of developed countries with the intention of directing them to companies to promote business in a socially responsible manner. The signatory countries of these guidelines must apply it and encourage companies to follow them in all their operations¹⁶.

This instrument might be considered as the most relevant in terms of its mandate, since it is the only international instrument on corporate social responsibility (CSR), that has a specific and mandatory mechanism for the signatory States to receive complaints and denunciations, related to business conduct, of their companies within not only their territory, but also its operations in international markets¹⁷. This mechanism is the National Contact Point, a designated person “whose main role is to further the effectiveness of the Guidelines by undertaking promotional activities, handling enquiries, and contributing to the resolution of issues that may arise from the alleged non-observance of the guidelines in specific instances”¹⁸.

These principles have been reviewed six times since its foundation, the most recent review being in 2011. In this occasion, there was an inclusion of new considerations in human rights, sustainability, due diligence and responsibility management in the supply chain. Currently, the topics involved in these Guiding Principles in terms of responsible business conduct are transparency and periodical publication of their information, respect for human rights, employment and labour rights, protection to the environment, anticorruption measures, and guarantees for the consumers on quality, promotion of innovation and technology, promotion of competencies and taxation.

¹⁶ OECD (2018) *Guidelines for Multinational Enterprises*. Webpage. Retrieved from: <http://mneguidelines.oecd.org/guidelines/> (Accessed: April 30, 2018)

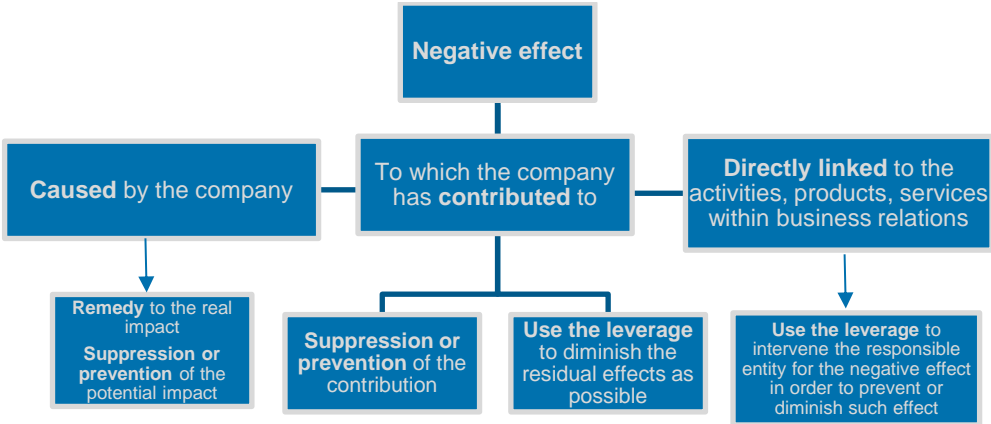
¹⁷ OECD (2018) *National Contact Points for the OECD Guidelines for Multinational Enterprises*. Webpage. Retrieved from: <http://www.oecd.org/investment/mne/ncps.htm> (Accessed: April 30, 2018)

¹⁸ *Ibidem*.

OECD keeps creating tools for due diligence applied to specific sectors such as agriculture, extractive sector, mineral supply chains, garment and financial sector; having also other guidelines for child labour and criminal exploitation of resources. This continuous effort to provide the companies and business sector with tools and information on how to approach these challenges aims to reduce the lack of knowledge and provide expertise to address such risks.

According to John Ruggie (2014), the author of the United Nations Guiding Principles on Business and Human Rights: “the Revised OECD Guidelines are the first intergovernmental instrument that takes into account the second pillar of the United Nations Framework, on the responsibility of companies in respect of human rights. In addition, they are the first instrument that extends the concept of due diligence based on risks, applied to the repercussions on human rights to the main areas of business ethics”¹⁹. This means that the Guidelines are aligned with UN Guiding Principles sharing the focus of addressing their negative impacts as a first step, in the “do not harm first” framework that responds to mitigating the negative impacts of their operations related to human rights. In the following figure, there is an explanation of the recommended procedure:

Figure 4: Due diligence process according to OCDE Guidelines for MNE



Source: own elaboration with information from OECD (2014) *Líneas Directrices de la OCDE para Empresas Multinacionales*. Spanish version.

¹⁹ OECD (2014) *Líneas Directrices de la OCDE para Empresas Multinacionales*. Web page. Retrieved from: http://mneguidelines.oecd.org/MNEguidelines_RBCmatters_Es.pdf (Accessed: April 30, 2018)

This procedure is in tight concordance with the Principle 31 of the UN Guiding Principles and reflects the harmonisation of the sustainability criteria among the available international instruments.

International Labour Organisation (ILO) - Tripartite Declaration of Principles concerning Multinational Enterprises (MNE) and Social Policy, MNE Declaration (1977)

The guidance aims to national and international enterprises and seeks to support MNE to contribute positively to social and economic development by contributing to decent labour conditions for all and minimize and solve the difficulties that its operations produce in markets. This declaration provides specific orientation in terms of employment, professional training, labour relations, working conditions and life conditions based in international labour instruments such as Covenants and Recommendations from ILO.

It is the only global instrument in this area and the only one that was elaborated and adopted by governments, employers and workers from around the world. It was adopted 40 years ago and amended several times, most recently in March 2017. Its principles are addressed to multinational and national enterprises, governments of home and host countries, and employers' and workers' organizations providing guidance in such areas as employment, training, conditions of work and life, industrial relations as well as general policies. The guidance is founded substantially on principles contained in international labour standards.²⁰

The greatest achievement of this document is the fact that it reflects the dialogue within the governments, MNEs, employers and workers toward sustainability applied to

²⁰ International Labour Organization (2017) *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) - 5th Edition* (2017) Retrieved from: <http://www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm> (accessed April 30, 2018)

working conditions as a human right. In the same extent, it is periodically revised and amended in order to comply with the global markets' dynamics. The ILO has address operational tools to guarantee its application in the signatory countries.

United Nations Global Compact, UNGC (1999)

This initiative seeks to create a global corporate citizenship through collaboration with other United Nations (UN) agencies, governments, labour unions, Non-Governmental Organisations (NGOs) and civil society organisations in general.

In this same line of delegating corporate responsibility directly to companies, within the framework of the United Nations System, the Global Compact is created. Former Secretary General of the UN, Kofi Annan launched this initiative in the framework of the World Economic Forum of 1999, in Davos. This is the largest alliance of international private companies worldwide, especially taking into account its voluntary nature. It is based on ten principles that cover four central themes: human rights, labour rights, environment and anti-corruption²¹; and the commitment of companies is to integrate them into their corporate strategy. The way to integrate governments to collaborate in a public-private scheme is through the creation of contact points or local offices in more than 162 countries, from where multi stakeholder events are coordinated in conjunction with other UN offices to strengthen ties of cooperation among stakeholders²².

Its objectives have evolved in accordance with the emergence of new paradigms and international instruments of sustainability, since its current objectives include channelling actions in support of the broader objectives of the United Nations, including the Sustainable Development Goals²³.

United Nations Guiding Principles on Business and Human Rights, UNGP (2000)

²¹ United Nations Global Compact (2018) *Our Mission* Web page. Retrieved from: <https://www.unglobalcompact.org/what-is-gc/mission> (accessed April 29, 2018)

²² *Ibídem*.

²³ *Ibídem*.

In the year 2000, the United Nations Guiding Principles on Business and Human Rights were unanimously approved, implementing a framework of three principles: "protect, respect and remedy". These milestones put an end to the theoretical and academic discussions that began at the end of the twentieth century, where the role of business in protecting human rights was broadly questioned. These principles and other international instruments agreed that although companies do not have the same duty in human rights matters as States do, there is a level of co-responsibility to which they must respond. In accordance with the official text:

These Guiding Principles are grounded in recognition of:

- (a) States' existing obligations to respect, protect and fulfil human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights;
- (c) The need for rights and obligations to be matched to appropriate and effective remedies when breached.

These Guiding Principles apply to all States and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure.

The objective of this documents in to classify the duties and responsibilities of States and companies to protect and respect human rights in the context of business activities, and to guarantee the access to effective remedy for individuals and groups affected by such activities. The aim is for States and companies, as the 31 principles explain how to approach duties and responsibilities from both State and business perspectives.

It is important to make a distinction in this point as the United Nations Guiding Principles not only refer to private companies, as it was distinguished in this research, the term company or enterprise is also referring to State-owned companies, which are called to lead by example by this instrument.

When it comes to the part b, when it comes to the responsibility that lies in the companies, the main idea is to “do no harm” as a principle. To start with a due diligence process which enables the companies to seize their negative impacts to prevent them from cause or contribute to abuses, to prevent their negative impacts in their value chain and other commercial partners; and by this, to tackle direct and indirect impacts equally. In these terms, the UN Guiding Principles do not constitute additional regulation but an expectation of companies to honour their international commitments; as well as it establishes the difference between “doing the good thing” and preventing to do harm, making the latter the centre of sustainability management. This is specifically established in Principles 29, 30 and 31 when it comes to the implementation of an effective way to measure, keep track and mitigate the negative impacts²⁴.

These Guiding Principles will act as a broad umbrella for the upcoming international instruments, as it sets the base for the expected responsible business conduct and resumes the debate on to what extent are companies responsible for their impacts in society and environment. These principles are integrated into every other international sustainability instrument.

In this sense, since the adoption of the Guiding Principles, countries have the task of preparing a National Action Plan for the implementation of these principles from their governments towards the companies that operate within their territory. In particular, the European Union, through a communiqué from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, indicated in year 2011 that the member countries of the Union must elaborate their respective National Action Plan. To date, most of the member countries are in the process of citizen consultation for the preparation of the document; while the United Kingdom, the Netherlands, Italy, Denmark, Finland,

²⁴ United Nations (2018) *United Nations Guiding Principles for Business and Human Rights*. Retrieved from: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf (accessed April 30, 2018)

Lithuania and Sweden are the countries that have at least one edition of this document²⁵.

ISO 26000 (2010)

International Organisation for Standardisation (ISO) is a worldwide federation of national standards bodies (ISO member bodies)²⁶; its main objective is to create a common language achieving international standards. ISO 26000 is one of this standardisation efforts focused on Social Corporate Responsibility and its link to sustainable development as a global goal. It takes into account the growing concern of modern societies to inquire companies and governments regarding their business practices and the effects they cause in their surroundings. The approach of the technical committees in charge on creating these standards is to involve the stakeholders in the process of creating the guidelines:

This International Standard was developed using a multi-stakeholder approach involving experts from more than 90 countries and 40 international or broadly-based regional organizations involved in different aspects of social responsibility. These experts were from six different stakeholder groups: consumers; government; industry; labour; non-governmental organizations (NGOs); and service, support, research, academics and others. In addition, specific provision was made to achieve a balance between developing and developed countries as well as a gender balance in drafting groups.²⁷

Another remarkable characteristic of ISO 26000 is that it does not provide any certification, as many other versions of ISO standards in products quality or others,

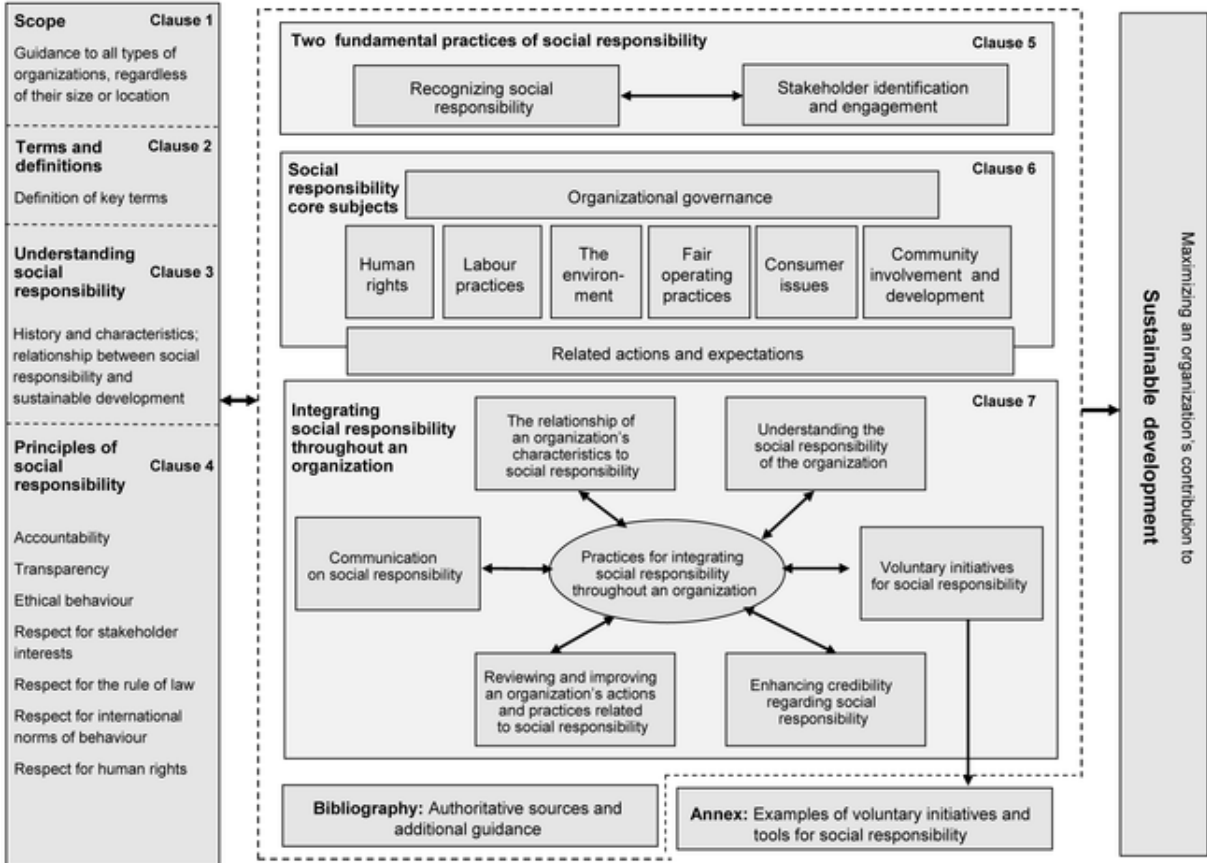
²⁵ European Union (2018) *Corporate Social Responsibility in practice*. Online document, Retrieved from: http://ec.europa.eu/growth/industry/corporate-social-responsibility/in-practice_en (Accessed April 9, 2018)

²⁶ ISO (2018) *ISO 26000:2010(en)*. Web page. Retrieved from: <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en> (Accessed April 12, 2018)

²⁷ *Ibidem*.

because the aim of the document is to provide guidelines to governments, companies and all type of organisations to address challenges related to CSR. It is also known as the largest working group in ISO’s history, with a majority on involved countries and participation of developing countries experts, it was approved with 93,5% of votes in favour.

Figure 5: Schematic overview of ISO 26000



Source: ISO, official webpage. ISO 26000. "Schematic overview of ISO 26000".

As we can see in Figure 2, the ISO 26000 also shares the approach of mitigating negative impacts starting with human rights, in a process of due diligence. One of the key characteristics of this instrument is that presents seven fundamental subjects or matters of analysis, being this broader than then four that other instruments such as the UN Global Compact. In this sense, the document arises key expected behaviours in each area such as consumer issues and fair operating practices, highlighting best practices and examples of instruments and measures to keep in mind when installing

a sustainability policy. It also stresses the idea of the governance being necessary present in all dimensions of sustainability management.

Then harmonisation process among all international sustainability instruments stays aligned towards prevention.

United Nations Agenda 2030 and Sustainable Development Goals (2015)

In an effort to renew the global commitment to development, without undermining the opportunities and resources of future generations, this commitment consists of a paradigm shift in several ways. On the one hand, it is the first time that a vision of sustainability has been explicitly integrated into a global agenda.

This agenda differs from its predecessors Millennium Development Goals as:

- a) This initiative is product of the active participation of not only governments, but also private sector and civil society;
- b) Is not only aimed to developing countries but to all countries, regardless of their developing status; and;
- c) The objectives are broader and further focused on implementation means involving necessary financial resources and multi stakeholder collaboration²⁸.

While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for the achievement of the 17 Goals. Countries have the primary responsibility for follow-up and review of the progress made in implementing the Goals, which will require quality, accessible and timely data collection. Regional follow-up and review will be based on national-level analyses and contribute to follow-up and review at the global level.²⁹

There are 17 Sustainable Development Goals and 169 targets related to each goal, “they seek to realize the human rights of all and to achieve gender equality and the

²⁸ United Nations (2016) *The Sustainable Development Agenda*. Web page. Retrieved from: <https://www.un.org/sustainabledevelopment/development-agenda/> (accessed May 1, 2018)

²⁹ *Ibidem*.

empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental. The Goals and targets will stimulate action over the next 15 years in areas of critical importance for humanity and the planet.”³⁰ (United Nations Declaration, 2015)

This agenda emphasizes on the fact that responsible business conduct is a prerequisite for sustainable development, and calls upon every actor in the planet to collaborate for the goals, as stated in Goal 17. Even though this Agenda 2030 might seem as a general and broad initiative and, as such, hard to implement, other agencies and UN offices have addressed tools for the correct implementation of the targets in order to reach the goals. In paragraph 67 of the Document, there is a clear statement on how the Agenda works in collaboration with other norms and international instruments:

Paragraph 67. Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges. We will foster a dynamic and well-functioning business sector, while protecting labour rights and environmental and health standards in accordance with relevant international standards and agreements and other ongoing initiatives in this regard, such as the Guiding Principles on Business and Human Rights and the labour standards of the International Labour Organization, the Convention on the Rights of the Child and key multilateral environmental agreements, for parties to those agreements.³¹

³⁰ United Nations (2015) *Resolution adopted by the General Assembly on 25 September 2015*. Online document. Retrieved from: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E (Accessed May 1, 2018)

³¹ *Ibidem*.

With a basis on this paragraph, other agencies, offices and international coalitions have created alliances and documents to facilitate the implementation of the agenda. Two relevant cases are the World Business Council for Sustainable Development (WBCSD), which created the SDG Business Hub, an initiative from private sector with tools and resources such as the CEO Guide for Sustainable Development Goals, and the Business and Sustainable Development Commission that aims to demonstrate the financial benefits of implementing the SDGs³². The second flagship case are the recommendations addressed by the United Nations Working Group on Business and Human Rights on June 2017, which is mandated by the UN Human Rights Council to promote worldwide dissemination and implementation of the Guiding Principles on Business and Human Rights³³. This document establishes specific recommendations of how to implement SDGs in business with a focus on human rights, highlighting the role of National Action Plans, the importance of transparency and reporting, and the endorsement of other international sustainability instruments.

All the previous international tools denote the level of coherence achieved by governments in terms of the type of behaviour expected from companies from a socially responsible perspective, as well as the possibility of implementing a broader range of public policies aimed at these initiatives.

³² SDG Business Hub (2018) *The Sustainable Development Goals and the Role of Business*. Web page. Retrieved from: <https://sdghub.com/ceo-guide/> (Accessed May 1, 2018)

³³ UN Working Group on Business and Human Rights (2017) *The business and human rights dimension of sustainable development: Embedding "Protect, Respect and Remedy" in SDGs implementation*. Online document. Retrieved from: <https://www.business-humanrights.org/sites/default/files/documents/UNWG-SDG-recommendations-30-Jun-2017.pdf> (Accessed May 1, 2018)

Table 1; Items integrated in international sustainability instruments

Instrument/ Area	Governance	Environment	Labour	Providers	Clients	Community	Human Rights
ILO Tripartite Declaration of Principles concerning MNE and Social Policy	✓		✓				✓
OCDE Guiding Principles for MNE	✓	✓	✓	✓	✓	✓	✓
UN Global Compact	✓	✓	✓	✓			✓
United Nations Guiding Principles on Business and Human Rights	✓	✓	✓	✓			✓
ISO 26000	✓	✓	✓	✓	✓	✓	✓
UN Agenda for Sustainable Development	✓	✓	✓	✓	✓	✓	✓
Global Reporting Initiative	✓	✓	✓	✓	✓	✓	✓
Responsible Investment Principles	✓	✓	✓	✓		✓	✓
Ecuador Principles		✓	✓			✓	✓
Dow Jones Sustainability Indexes (RobecoSAM)	✓	✓	✓	✓	✓	✓	✓

Source: Own elaboration, with information from Centro Vincular-PUCV.

As appears in table 1, there are common elements and approaches that all international sustainability instruments share:

Figure 6: Common characteristics of international sustainability instruments



Source: Own elaboration, with information from Centro Vincular-PUCV:

Corporate Social Responsibility in the European Union

The European Commission defines Corporate Social Responsibility (CSR) as "the responsibility of companies for its impact on society", and emphasizes that this responsibility corresponds to companies, while the public sector has a support role that is complemented by occasional regulations.

The Commission stresses the importance of the vision of corporate sustainability both for companies and for society. Companies are able to mitigate risks, save costs, access capital and have a better management of their human resources while contributing to an economically sustainable society³⁴.

The strategy of the European Union in CSR is a reflection of what is internationally agreed through the existing instruments, as it focuses on what is contained in the United Nations Guiding Principles, as well as adheres and encourages its companies to follow a support agenda to this approach; which contains:

³⁴ European Commission (2018) *Corporate Social Responsibility*. Online document. Retrieved from: http://ec.europa.eu/growth/industry/corporate-social-responsibility_en (Accessed April 12, 2018)

1. Enhancing the visibility of CSR and disseminating good practices
2. Improving and tracking levels of trust in business
3. Improving self and co-regulation processes
4. Enhancing market rewards for CSR
5. Improving company disclosure of social and environmental information
6. Further integrating CSR into education, training, and research
7. Emphasising the importance of national and sub-national CSR policies
8. Better aligning European and global approaches to CSR.³⁵

► **Corporate Social Responsibility National Public Policies in the European Union - Compendium 2014**

This document is “partly the result of seven peer reviews on corporate social responsibility (CSR) that took place in 2013 between EU Member State ministries. It provides an update on the actions taken by EU Member States since the publication of the 2011 Communication on CSR. Some of the most common approaches as well as good practices are highlighted in a series of thematic sections, relating to different parts of CSR policy.”³⁶

The compendium analyses these Member States on different approaches, including governance and institutions, capacity building (training and education), self-regulation and co-regulation mechanisms (in labour, environment, corruption, human rights, supply chain and SMEs), market rewards (public procurement, investment and consumers), and transparency and reporting.

³⁵ European Commission (2018) *Corporate Social Responsibility*. Online document. Retrieved from: http://ec.europa.eu/growth/industry/corporate-social-responsibility_en (Accessed April 12, 2018)

³⁶ European Commission (2014) *Corporate Social Responsibility National Public Policies in the European Union - Compendium 2014*. Web page. Retrieved from: <https://ec.europa.eu/digital-single-market/en/news/corporate-social-responsibility-national-public-policies-european-union-compendium-2014> (Accessed May 1, 2018)

This document stresses the importance of National Action Plans in EU Member States and explicitly recalls on international sustainability instruments as a broad framework for CSR implementation.

▶ **European Union Directive on Non-Financial Reporting 2014**

European Union's law requires large public-interest companies with more than 500 employees (approximately 6,000 companies) to disclose certain information on the way they operate and manage social and environmental challenges, in order to help investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business. Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information, where companies are required to include non-financial statements in their annual reports from 2018 onwards³⁷.

The areas that this report must include are environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, diversity on company boards (in terms of age, gender, educational and professional background). And when it comes to the way of reporting, European Commission strengthens the existing reporting initiatives such as the ones stables in the UN Global Compact, the OECD Guidelines for MNEs and the ISO 26000; additionally, the Commission created another guiding document for reporting in June 2017. However, companies are free to choose which way to report³⁸.

▶ **Trade for All: European Commission's new trade and investment strategy 2015**

The new strategy was presented by EU Trade Commissioner, Cecilia Malmström, and claims to make EU trade policy more responsible by basing it on three key principles:

Effectiveness: Making sure trade actually delivers on its promise of new economic opportunities. That means addressing the issues that affect today's economy, which involves services

³⁷ European Commission (2014) *Non-finacial reporting* Web Page. Retrieved from: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en (Accessed May 1, 2018)

³⁸ *Ibidem*.

and digital trade. It also means providing the means and information necessary to ensure European small and medium-sized businesses (SMEs), consumers and workers can take full advantage of – and adapt to – more open markets. This means, for instance, including effective provisions for SMEs in future trade agreements.

Transparency: Opening up negotiations to more public scrutiny by publishing key negotiating texts from all negotiations, as has been done in the TTIP negotiations. As of today, the Commission has already published some new texts (i.e. the Economic Partnership Agreements with East and West Africa) on its website.

Values: Safeguarding the European social and regulatory model at home. Using trade agreements and preference programmes as levers to promote, around the world, European values like sustainable development, human rights, fair and ethical trade and the fight against corruption. This means to include anti-corruption rules in the EU's trade agreements, and to see that our trading partners implement provisions on core labour standards, like the rights of workers to organise and the abolition of child labour. It also means broadening efforts to ensure responsible management of supply chains. (European Commission, 2015)

This new strategy does not only aim for governments and companies, it also includes consumers, workers, citizens, SMEs and people in developing countries.³⁹ This new strategy implies an effect in all European Union member States in their national CSR policies, urging them to use international trade agreements and preferential trade agreements as instruments to promote European values worldwide, especially those referred to human rights, sustainable development, fair and ethic trade, and the fight against corruption.

³⁹ European Commission (2015) *Fact Sheet - Trade for all', the Commission's new trade & investment strategy*. Web page. Retrieved from: http://europa.eu/rapid/press-release_MEMO-15-5807_en.htm (Accessed May 1, 2018)

Main international sustainability instruments and regional approaches such as the European Union's, share common values and central concepts as due diligence, prevention and areas of focus that prioritize human rights, labour conditions, environmental policies and commitment from the leadership positions. Even when some of these instruments or policies are mandatory and others rely on mere recommendations, the efforts are aimed at providing with the right tools to all types of organisations so they can effectively manage these type of ESG risks.

CHAPTER II - SWEDEN AS A SUSTAINABLE COUNTRY

For more than 5 consecutive years, Sweden has been placed in top 3 positions in international sustainability rankings by different institutions. RobecoSAM Country Sustainability Ranking has placed Sweden in first place from 2013 onwards⁴⁰, SolAbility presented their Sustainability Competitiveness Index⁴¹ with Sweden on the number one position for 2017; and the SDG Index by Bertelsmann Stiftung and the UN Sustainable Development Solutions Network state that Sweden is the leading country in terms of achieving the UN Sustainable Development Goals, globally⁴².

The natural question that arises is how does Sweden accomplish such high international standards? The answer to such broad question cannot be fully sustained by one single argument. However, different answers can be found in the Swedish government's policy on sustainability.

According to the Swedish government policy on corporate social responsibility,

CSR is promoted in industrial policy, in part through new and more sustainable business models. This may involve social innovations and social entrepreneurship, advanced systems solutions for sustainable urban development, and new and more sustainable goods, services and working methods. CSR is also of great importance in the State's corporate governance practices.⁴³

⁴⁰ Robeco SAM (2017) *Country Sustainability Ranking*. Online document, Retrieved from: <http://www.robecosam.com/en/sustainability-insights/about-sustainability/country-sustainability-ranking/index.jsp> (Accessed May 22, 2018)

⁴¹ SolAbility (2017) *Sustainability Competitiveness Index*. Online document. Retrieved from: <http://solability.com/the-global-sustainable-competitiveness-index/the-index> (Accessed May 22, 2018)

⁴² Bertelsmann Stiftung and the UN Sustainable Development Solutions Network (2017) *SDG index & dashboards; a global report*. Online document. Retrieved from: http://www.sdgindex.org/assets/files/sdg_index_and_dashboards_compact.pdf (Accessed May 22, 2018)

⁴³ Ministry of Enterprise and Innovation (2016) *Fact sheet. The Swedish Government policy for corporate social responsibility*. Online document, Retrieved from: https://www.government.se/49f384/contentassets/639ce39f69eb48ec931258a4de0a08eb/faktablad_hallbart_foretagande_160520_eng_webb.pdf (Accessed May 22, 2018)

This statement sets a clear example of the Government's "Triple Helix" approach on public affairs. According to Etzkowitz⁴⁴, the Triple helix approach "interprets the shift from a dominating industry-government dyad in the Industrial Society to a growing triadic relationship between university-industry-government in the Knowledge Society". It is the inclusion of new actors in the social dialogue, in order to create a higher level of knowledge and innovation. It embraces the view of different stakeholders.

The concept of Triple Helix Systems of innovation from Ranga and Etzkowitz, was recently introduced as an analytical framework that synthesises the key features of Triple Helix interactions into an 'innovation system' format, defined according to the systems theory as a set of components, relationships and functions.⁴⁵

The Triple Helix thesis is that the potential for innovation and economic development in a Knowledge Society lies in a more prominent role for the university and in the hybridisation of elements from university, industry and government to generate new institutional and social formats for the production, transfer and application of knowledge.

The Swedish Government has widely stated its policy on sustainable business, creating comprehensive sources not only for literature, but also for guidance to Swedish companies and stakeholders. One of the most complete documents that reflect the commitment with sustainable business is the guide for companies in Sweden and Swedish companies abroad, published by Ministry of Enterprise and Innovation, this guide specifies the intention, the way the government addresses corporate sustainability, and what does the Swedish government expect from its companies in Sweden and abroad:

Sustainable business is about running companies with an eye to the future. It is about minimising the company's negative impact on society, complying with international guidelines and doing

44 Etzkowitz (2003) *Innovation in Innovation: The Triple Helix of University-Industry-Government Relations*. Science Policy Institute, State University of New York

45 Ranga and Etzkowitz, quoted by The Triple Helix Research Group (2011) *The Triple Helix Concept*. Stanford University. Web page. Retrieved from: https://triplehelix.stanford.edu/3helix_concept (Accessed May 12, 2018)

their bit for positive social change. What this means is companies showing, through their actions, that they are earning the trust of employees, consumers, investors and other stakeholders every day. Sustainable business is also a state of mind, one in which inventive companies use innovation, and sustainable consumption and production, to boost their competitiveness and contribute solutions to the challenges faced by the whole of society in broad cooperation.⁴⁶

The Swedish Government present there might also be an impact in the exports, as the rules are changing not only in terms of a product being environmentally friendly but also being socially friendly, through the demand of consumers' preferences for new logos and labels that ensure a "clean" traceability of such products and services. The marketing tool and the consumer awareness within a product or services that can guarantee no lives were disrespected and the environmental impact of its production was the lowest it could be, is now a decisive factor in consumer's preferences. Thus, corporate sustainability becomes a competitive advantage as international markets and, mostly, European markets, which is where most of Swedish products are exported to, develop higher standards in terms of ESG variables. In extension, these standards are replicated in other markets, in countries that place Europe in its top export markets. In conclusion, the impact that these demands and standards have in trade policy might be considerable.

By pushing these values and principles in complex markets, Swedish companies have more opportunities to win market share at the same time they have higher possibilities to raise the international standards which are more comfortable for them than to their competitors.

⁴⁶ Ministry of Industry and Innovation of Sweden (2017) *Sustainable business: the Government's policy for sustainable business*. Online document. Retrieved from: http://www.government.se/49171b/contentassets/c2dc5f1cb30b40fb941aa2796c4387ae/sustainable-business_webb.pdf (Accessed May 13, 2018)

How Sweden complies with international sustainability instruments

Swedish National Contact Point for OCDE Guideline for Multinational Enterprises

To operationalise the commitments of the governments and companies to comply with the Guidelines, the figure of a National Contact Point (NCP) was created. Its main objective is to receive complaints from all stakeholder parties when there is a reason to believe a company has committed breaches to the guidelines.

In 2000, Sweden appointed its first National Contact Point. The way the country implemented it is quite interesting as this was another opportunity to integrate the triple helix approach in public policy. So even when the NCP is sitting at the Ministry of Foreign Affairs office, it is appointed in a communal way that enables the participating of CSO and the private sector.

Sweden's NCP is a tripartite collaboration between the State, the business sector and trade unions. The business sector is represented by the Confederation of Swedish Enterprise and the Swedish Trade Federation. The trade unions are represented by the Swedish Trade Union Confederation, the Swedish Confederation of Professional Associations, the Confederation of Professional Employees, Unionen and IF Metall. The Ministry for Foreign Affairs is the NCP Chair and Convener.⁴⁷

The governmental portal maintains an updated list and status of the claims that different stakeholders have risen to the NCP, and the conclusion of the cases that have been resolved.

⁴⁷ Government Offices of Sweden (2018) *National Contact Points*. Online webpage. Retrieved from: <https://www.government.se/government-policy/enterprise-and-industry/national-contact-points/> (Accessed on: June 23, 2018)

Sweden as a signatory party in ILO - Tripartite Declaration of Principles concerning Multinational Enterprises (MNE) and Social Policy

Sweden has ratified 93 Conventions and 4 Protocols from ILO, as well as all 8 Fundamental Conventions, including applying operational tools in its territory. Sweden has also signed all 4 Governance Conventions, established as priority by the organisation⁴⁸.

ILO is a forum where Swedish government applies the triple helix approach, since the nature of the organisations implies having the perspective of government, works and employers. The social dialogue model Sweden implements also goes beyond these actors and open consultation that include civil society organisations (CSO) are common. ILO Fundamental Conventions are pointed out as the basis of Swedish international commitment to decent working conditions and protection of human rights.

Swedish companies and the United Nations Global Compact

About more than 280 Swedish companies take part in the UN Global Compact, committed to follow its ten principles. More than being part of the network, Sweden has lined-up with other four Nordic countries: Denmark, Iceland, Finland and Norway) to create a Nordic Network for UNGC. In the collaboration stage the Nordics share best practices in the implementation of the principles, hosting multiple events yearly.

In 2009, Network Sweden was also created as a space for Swedish companies to share and collaborate in terms of levelling the plain field in terms of sustainability. The Swedish network is coordinated by International Chamber of Commerce (ICC) Swedish National Committee. Striking again the triple helix approach, since the ICC represents the international business community, which was deeply involved the global agreement on how companies should act responsibly.⁴⁹

⁴⁸ ILO (2018) *Ratifications for Sweden*. Online webpage. Retrieved from: https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102854 (Accessed June 20, 2018)

⁴⁹ Global Compact Network Nordic Countries (2018) *Global Compact in Sweden*. Online webpage. Retrieved from: <https://gcnordic.net/about-the-nordic-network/countries/sweden/> (Accessed on: June 23, 2018)

Swedish National Action Plan on Business and Human Rights

The way to comply in a national level to the United Nations Guiding Principles on Business and Human Rights, countries were called to prepare in the most comprehensive possible way, a national Action Plan that contains specific guidelines on how to materialise the duties and responsibilities contained in the UNGP.

In 2015, Sweden was the sixth country to release a National Action Plan, under supervision of the Ministry of Foreign Affairs with a clear collaboration with the Ministry of Enterprise and Innovation, adding specific attention in the process of internationalisation of companies and the risks they face abroad. A triple helix approach was given by opening consultations in more than three cities in Sweden where more than a hundred NGOs, companies and members of the Swedish society presented their inputs.

The action plan has been developed by the Government Offices in consultation with various stakeholders. A draft has been published for public comment on the Government Offices website. The draft has also been the subject of four public consultation meetings in which more than 100 different companies, government agencies, trade unions, NGOs and other stakeholders took part⁵⁰

On the other hand, it is worth highlighting the special emphasis Swedish government makes in having the companies accountable for human rights respect, especially in complex markets. This Action Plan is revised periodically with stakeholder consultations as well.

The role of the Swedish Standards Institute in the creation of ISO 26000

ISO 26000 could be one of the most complete tools for an effective implementation of sustainability policies and procedures, since it does not end in a certification process

⁵⁰ Ministry of Enterprise and Innovation (2015) Action plan for Business and Human Rights.

but works as a guidebook to identify certain gaps and non-adverted risks. Give the complexity and “case-to-case” approach of these standard, the Swedish Standards Institute (SSI) organised several activities to facilitate the creation of ISO 26000 guidelines for its implementation⁵¹.

Writing this guideline was the result of a long process where they SSI opened and International Workshop Agreement (IWA), two international multi/stakeholder-based workshops in Sweden and in the United Kingdom, addressing and resolving about 400 written comments from more than 70 participants from 31 countries. This exercise was a valuable input for every organisation using ISO management system standards that seeks to implement ISO 26000 in a comprehensive way.

Sweden leads the implementation of UN 2030 Agenda and SDGs

Swedish delegation for the implementation of the 2030 Agenda has been one of the strongest global participants in the agreement, using their experience in the triple helix approach as an innovation to the UN Global Agenda.

On the Swedish government’s report to the UN High Level Political Forum on Sustainable Development on 2017, was also a result of a broad consultation process based on documentation and contributions from many stakeholders in a variety groups. The same way it is working with an specific Delegation for the Agenda 2030:

In March 2016, the Government appointed a national delegation with a commission to support and stimulate the work with Sweden’s implementation of the 2030 Agenda, both nationally and internationally. On 1 June 2017, the delegation presented its proposals for an action plan and an overview of the extent to which Sweden is fulfilling goals and targets of the 2030 Agenda. The delegation is also tasked with anchoring the Agenda and the 17 goals and with conducting a broad dialogue on sustainable development with authorities, county councils and municipalities, the social partners, the private sector, civil society and the research community. ⁵²

⁵¹ Swedish Standards Institute (2018) *N19 Guidance on Communication related to IWA 26:2017 Using ISO 26000:2010 in management systems*. Online document. Retrieved from: https://www.iso.org/files/live/sites/isoorg/files/standards/popular_standards/iso_26000_social_responsability/N19%20Guidance%20on%20Communication%20related%20to%20IWA%2026.pdf (Accessed May 1, 2018)

⁵² Government Offices of Sweden (2017) report to the UN High Level Political Forum 2017 on Sustainable Development. Online presentation. Retrieved from:

The efforts have achieved remarkable results, as the United Nations SDGs Network it is ranking have appointed Sweden as the leading country in the implementation of the Agenda 2030 since 2016.

Corporate Social Responsibility in the European Union

In 2014, the European Union presented the results of the European Commission's Corporate Social Responsibility National Public Policies, having an appendix dedicated to Sweden, where it highlights all the policies implemented about:

- ▶ Alignment with global CSR approaches,
- ▶ Human rights and responsible supply chain management;
- ▶ Reporting and disclosure;
- ▶ Consumer awareness and responsible business promotion;
- ▶ CSR approaches to tackling climate change and environmental sustainability;
- ▶ Sustainable public procurement;
- ▶ Socially responsible investment;
- ▶ CSR in education and training

Finding that Sweden had specific measures, activities and procedures to approach sustainability not only from the public side, but also from the private and the civil society perspective.

Sustainable business: The Government's policy for sustainable business

The Government of Sweden has chosen to adopt the term 'sustainable business' in preference to corporate social responsibility, as it wished to use a Swedish term and not an abbreviation; so 'sustainable business' is used synonymously with CSR.⁵³

The triple helix collaboration approach full application on corporate sustainability takes force in the shaping of the official policy for sustainable business. The document

<https://www.government.se/government-policy/the-global-goals-and-the-2030-Agenda-for-sustainable-development/> (Accessed on June 20, 2018)

⁵³ Ministry for Foreign Affairs of Sweden (2017) *Sustainable Business – A platform for Swedish action*. Online document. Retrieved from: <http://www.government.se/49b750/contentassets/539615aa3b334f3cbbedb80a2b56a22cb/sustainable-business---a-platform-for-swedish-action> (accessed May 12, 2018)

“Sustainable business: The Government’s policy for sustainable business” formulates a clear statement on the incorporation of all the international sustainability instruments stated above, as a compilation to reinforce the commitment of every participant of the Swedish society to work towards these goals.⁵⁴ Ministry of EU Affairs and Trade in collaboration with the Ministry for Enterprise and Innovation formulate the policy together.

Another relevant document that complements the policy and takes it to the next level by presenting sustainability as a corporate competitive advantage that Swedish companies can further use to brand recognition is “Sustainable Business –A platform for Swedish action”.

These official documents not only compile and formulate the sustainability policy of Sweden as a country, but also delegates the mandate to its specific offices by entitling them with specific goals and objectives to fulfil, striving to concrete results. Governmental institutions as well as private sector receives specific responsibilities from the Government, including agencies such as Business Sweden.

⁵⁴ Government Offices of Sweden (2015) *Sustainable business: The Government’s policy for sustainable business*. Online document. Retrieved from: http://www.government.se/49171b/contentassets/c2dc5f1cb30b40fb941aa2796c4387ae/sustainable-business_webb.pdf (Accessed on May 20, 2018)

CHAPTER III - BUSINESS SWEDEN

Business Sweden is the Swedish Trade and Invest Council, which was formed in 2013 by the merge of the Exports Council “Exportrådet” and “Invest Sweden”, in an effort towards the unification of the international promotions duties the Swedish government has towards Swedish companies. Therefore, it is owned by the state and industry, represented by the Ministry of Foreign Affairs and Sweden's General Foreign Trade Association. Business Sweden has about 480 employees, most of whom work from international markets⁵⁵.

According to the official Swedish Government's website:

Business Sweden is an organisation jointly owned by the State and business sector that supports and promotes Swedish exports and investments in Sweden. Swedish operations are carried out at the head office in Stockholm and by regional export advisers who advise, inform and train Swedish companies locally. Export and investment experts at the head office provide market information and advice in response to queries from companies and other stakeholders. Business Sweden has more than 50 offices around the world and cooperates with Swedish embassies, consulates, chambers of commerce and other local networks for the benefit of the internationalisation of Swedish companies.⁵⁶

Business Sweden has a purpose, which can be divided into two:

- a) to help Swedish companies increase their global sales and;
- b) to help international companies invest and expand in Sweden.

The first objective is the one related to export promotion and the second to invest promotion. For the purposes of this research, focus will be on the first part of its mission related to the promotion of Swedish companies abroad.

⁵⁵ Business Sweden (2018) *Export promotion*. Web page. Retrieved from: <https://www.business-sweden.se/Om-oss/Om-Business-Sweden/Exportframjande/> (Accessed: May 12, 2018)

⁵⁶ Government Offices of Sweden (2018) *Business Sweden*. Webpage. Retrieved from: <http://www.government.se/government-agencies/business-sweden/> (accessed May 12, 2018)

In this sense, Business Sweden has formulated three ways of supporting: by shortening time to market, finding new revenue streams and reducing risk. Out of these three main ways, the focus of the sustainability criteria will be on the third one “reducing risk”. As stated in the all international sustainability instruments and guidelines, the identification of risk is deeply linked to the impact assessment and mitigation of such negative impacts.

In export promotion, Business Sweden works with an internationalisation model through local presence in the world's most relevant markets for Swedish companies, the business model is focused on consultancy services according to market prices in a customer advice setup to support the companies in their process of internationalisation.⁵⁷

Business Sweden states that it aims to open global markets to Swedish companies, whether it means understanding a country's bureaucracy or using Swedish diplomatic networks, all by also providing senior counselling in order to help them reach their full potential by growing beyond their local markets. “With networks at all levels, we offer strategic advice and solid support, both in Sweden and in 53 of the world's most interesting markets.”⁵⁸ Business Sweden offers Swedish companies customer advice to support companies' international business development based on a market price. The organisation offers consultancy services with the added value that it counts with support from embassies from all over the world, the leverage of collaborating with other Swedish institutions that offer complementary advantage; and the fact that they have regional export advisors working directly from the companies from the moment they show interest in exporting. Another advantage worth highlighting is the expertise of locally-based employees in international markets that offer a natural understanding of the local context, including risks and advantages.

⁵⁷ Business Sweden (2017) *International Sustainable Business: Sustainability Report for the financial year 2017*. Online document. Retrieved from: <https://www.business-sweden.se/contentassets/0bf936ee8bbb46b38a02b449a26c20ad/business-sweden-sustainability-report-2017.pdf> (Accessed June 9, 2018)

⁵⁸ Business Sweden (2018) *About Business Sweden*. Webpage. Retrieved from: <https://www.business-sweden.se/Om-oss/Om-Business-Sweden/> (Accessed May 12, 2018)

Organizational structure

Business Sweden has two principal shareholders – the Swedish State and the private business sector in Sweden. The State is represented by the Ministry for Foreign Affairs and the business sector by the Swedish Foreign Trade Association, which are represented on the board of directors along with the management team.

The members are appointed for one year at a time. As of May, 2018⁵⁹, the Board is constituted by:

- Enterprise representation
 - Signhild Arnegård Hansen, Chairman of the Board Svenska LantChips AB
 - Sofie Lindblom, CEO Ideation360
 - Eva Häussling, Executive Member, Sveriges Allmänna Utrikeshandelsförening
 - Åke Svensson, Chairman of the Board Swedavia
 - Jonas Wiström, CEO Ratos

- Government representation
 - Niklas Nordström (Chairman)
 - Per Westerberg
 - Anders Ferbe
 - Maria Rankka, President of Stockholm Chamber of Commerce
 - Teppo Tauriainen, Foreign Trade Council, UD
- Staff Representative
 - Göran Berg, Business Sweden

- Management
 - Ylva Berg, CEO
 - Lena Arnelind T.f, CFO
 - Carl Esselin, Vice President Human Resources
 - Fredrik Fexe, Executive Vice President, Strategy & Business Development

⁵⁹ Business Sweden (2018) Board and management. Webpage. Retrieved from: <https://www.business-sweden.se/Om-oss/styrelse-och-ledning/> (Accessed May 15, 2018)

- Ulrika Cederskog Sundling, Executive Vice President, Invest & Region Sweden
- Charlotte Rylme, Vice President Marcom & Digitalization
- Marie Trogstam, International Manager for Sustainable Business
- Olof Hällerman T.f, Vice President Americas
- Jonas Båtelson, Vice President Europe
- Cherif Sayed, Vice President Middle East and Africa
- Tobias Glitterstam, Vice President Asia and Pacific

The private sector representatives rotate periodically in order to give the opportunity to different members of the Swedish Foreign Trade Association to be part of the board. It is worth highlighting the Management team is part of the board and the decisions taken in such instance are of immediate application to the teams they're intended to.

One of the main indicators that every international sustainability tool takes into consideration to understand how serious an organisation takes sustainability in their corporate governance, is the existence of a representative of an area related to sustainability in the board of directors. In this sense, Business Sweden has shown its commitment to integrate sustainability in their operations as of its International Manager for Sustainable Business has a seat in the board as part of the management team.

Business strategy 2020

From the government assignment and the company specific business development (working directly with private Swedish companies), they have developed a joint strategy in order to fulfil expectations coming from both sides.

The 2020 strategy, defined in three main objectives:

- ▶ *Proven effect on internationalisation*
This strategic goal helps the organisation ensure that all activities strive to enhance Sweden's economic prosperity and employment growth, and contribute to value creation from

high-quality investments in Sweden. The goal is measured based on number of high quality investments (HQI) and impact of export promotion (TPI). As of 2018, the added strategic ratio “International sustainable business” will measure how Business Sweden contributes to increasing sustainability in international business practices encompassing both export and investment promotion.

▶ *World class promotion agency*

This goal steers the organisation toward continuous improvement of business efficiency. It helps to ensure quality service delivery, high customer satisfaction rates as well as high employee motivation – laying the foundation for world class operations. The goal is measured using the Customer Satisfaction Index (CSI), the Employee Satisfaction Index (ESI) and brand attractiveness

▶ *Financial stability*

This goal confirms the financial viability of effectively carrying out assignments with the level of stability required by the organisation, which handles a double government commission. The goal is measured using indicators including billable time, revenue-mix from state and private sector commissions, profitability and solidity.⁶⁰

The Swedish Government’s mandate on corporate sustainability

As part of the mandate from the Swedish government, the expectations that the Swedish government holds towards Business Sweden is stated in several institutions such as the Ministry of Foreign Affairs, the Ministry of EU Affairs and Trade and the Ministry of Enterprise and Innovation. However, according to Marie Trogstam, Manager for International Sustainable Business, there is also a push coming from the private sector as the companies that take part on the Swedish Foreign Trade Association.

⁶⁰ Business Sweden (2017) *International sustainable business. Sustainability report 2017*. Online document. Retrieved from: (Accessed on May 20, 2018)

From the Ministry of Enterprise and Innovation, in the National Action Plan on business and human rights, the emphasis is set in terms of working with small and medium sized companies (SMEs) and the collaborative effort of “Team Sweden” while working with other Swedish institutions abroad, such as embassies:

The Government will work to ensure that Business Sweden increases its support for companies’ sustainable business efforts, with a particular focus on small and medium-sized enterprises. Active input will also be provided to increase awareness of sustainable business at Swedish embassies, enabling them to better assist companies.⁶¹

From the Ministry of European Affairs and Trade, there is a similar approach on the works with SMEs and integrating sustainability to the service offering of the organisation, to fulfil the purpose of the organisation in proving its effect in the internationalisation of Swedish companies:

Business Sweden is to strengthen work on sustainable business and support small and medium-sized enterprises in particular. Within this remit, Business Sweden works to improve and advance the services offered to Swedish companies, particularly small and medium-sized ones, with the aim of reinforcing the sustainability perspective in promoting exports.⁶²

The organisation does not only receive a mandate on the way to provide support to Swedish companies in their internationalisation process, but also received guidelines on the type of international sustainability instruments it must take into consideration to comply with this goal. The Swedish government has actively participated in the creation and operationalisation of every international sustainability instrument somehow. Thus,

⁶¹ Ministry of Enterprise and Innovation. (2015) *National Action Plan on Business and Human Rights*.

⁶² Ministry of European Union Affairs and Trade; Ministry of Enterprise and Innovation. (2016) *Sustainable business – the Government’s policy for sustainable business*.

the guideline on sustainability it stresses to its agencies, institutions and offices aligning its governmental efforts in international forums to an effective implementation in Sweden and in international markets with a Swedish footprint.

Business Sweden is instructed to observe the OECD Guidelines for Multinational Enterprises, the UN Global Pact and the UN Guiding Principles on Business and Human Rights in its basic export service, in-service training and directed export promotion activities, and to actively seek to inform and encourage enterprises as part of its work of promoting sustainable business in accordance with established global guidelines.⁶³

In conclusion, the government's mandate on corporate sustainability could be synthesized as:

- Aimed at supporting Swedish companies in their sustainability efforts;
- Oriented to SMEs in a preferential way;
- Headed to improve and enhance its services offered to the Swedish companies in terms of sustainability in the export promotion;
- Instructed to integrate international sustainability instruments that are broadly comprehensive in terms of its materiality (such as OECD Guidelines for MNEs and the UN Guiding Principles on Business and Human Rights);
- Focused in an external application in basic export services, in-service training and export promotion activities;
- For Swedish companies in Sweden and operating in international markets;

Therefore, these are the areas of focus that the Swedish Government expects from Business Sweden to develop. Being one key takeaway that the efforts are mostly aimed to providing external advisory, rather than to carry a sustainability policy internally.

⁶³ Ministry of Foreign Affairs of Sweden (2015) *Sustainable Business - A platform for Swedish action*. Online document. Retrieved from: <https://www.government.se/information-material/2014/01/sustainable-business---a-platform-for-swedish-action/> (Accessed on: June 23, 2018)

CHAPTER IV - ANALYSIS OF THE INTEGRATION OF SUSTAINABILITY PRINCIPLES IN BUSINESS SWEDEN

Formulation of a sustainability policy (2013-2017)

Business Sweden was officially launched the 1st of January of 2013, as a merge of the Swedish Export Council (Exportrådet) and Invest Sweden to unify both export and invest promotion in one organisation⁶⁴. Therefore, an analysis of the incorporation process of sustainability management must start along with the creation of the organisation.

The Annual Reports Business Sweden has made public under such name, start from year 2013 until the latest version available in 2017, which are only available in Swedish⁶⁵. In an effort to analyse the source of the sustainability management within the organisation, **Annual reports** are the primary source to obtain information about the place and relevance the organisation has put to this matter over time.

Starting 2013, the organisation already dedicates a special part of its report to address the importance of sustainability. As the oldest record, it **stresses the main sources of both internal and external sustainability management**: the UN Global Compact ten principles, the OECD Guidelines for Multinational Enterprises (MNE) (the latest update in 2011), and other national instruments as the CSR Action Plan from the Ministry of Foreign Affairs, are the main instruments that the organization highlights as frameworks to develop its sustainability awareness policies, which they report using Global Reporting Initiative (GRI) guidelines. Internally, the code of conduct is the basis of the CSR responsibility as an employer, societal and business actor; also including a "whistle-blower" feature to receive internal complaints.

By 2014 the organisation clearly **identifies the areas of anticorruption and human rights to be set in the centre of their policy**, introducing for the first time a clear

⁶⁴ Business Sweden (2018) *About Business Sweden*. Online webpage. Retrieved from: <https://www.business-sweden.se/en/about-us/About-Business-Sweden/> (Accessed: June 20, 2018)

⁶⁵ The information regarding the sustainability management in these Annual reports have been translated from Swedish. The accuracy of the translation may vary from Swedish to English. The only annual report publicly available in English is the one for year 2016.

example of how it could help Swedish companies by integrating sustainability practices to its services, especially in international markets.

Business Sweden offers a number of CSR services to Swedish initiatives, such as when Swedish companies outsource their production to other countries. In this way, we help in the selection of partners to create a supply chain as secure as possible. We inform our customer companies about the importance of social responsibility and often address issues such as human rights, environmental considerations and corruption. In addition, we support Swedish companies that want to implement their sustainability work in new markets.⁶⁶

The discussion is moving toward Business Sweden's role as a support partner for Swedish companies, less than to its internal sustainability management. However, the mandate from the government is clear and these supporting services are crucial in the process of internationalization of Swedish companies.

In this stage, it is already remarkable how the Swedish brand is deeply **connected to Swedish values and principles**, which often might turn into a competitive advantage in markets that privilege a responsible business conduct. Having said this, Business Sweden as another representative of the Swedish brand abroad recognizes the responsibility to act as a valuable adviser for Swedish companies abroad, to work extensively on CSR matters with their employees and subcontractors, ensuring compliance with international standards.

⁶⁶ Business Sweden (2014) *Annual Report 2014*. Online document. Retrieved from: <https://www.business-sweden.se/Om-oss/Om-Business-Sweden/arsredovisningar/Arsredovisning-2014/> (Accessed; June 20, 2018)

In 2015, the organisation registers again the **UN Global Compact** network by enhancing its participation in the “Communication on Engagement”, as an advance from “Communication on Progress” stage⁶⁷.

This is the year that Agenda 2030 has been launched and Sweden makes a strong commitment at the highest level to contribute to its accomplishment not only in Sweden, but globally. Thus, the strengthening of sustainability measures in the institutions that work directly with companies is more visible in this stage. **Official documents related to the national CSR policy** from different Swedish Ministries such as the Ministry of Foreign Affairs and Ministry of Enterprise and Innovation are made public as a sign of a stronger commitment.

The organization continues to reinforce the government’s mandate in 2016, as they declare that “the most relevant sustainability work takes place among our customers (Swedish companies) rather than internally. (...) we stated to work on becoming a clearer adviser in sustainability matters.”⁶⁸ According to this statement, as of the double challenge that Business Sweden faces (internal sustainability management and external sustainability advisory), it **prioritizes its role as an advisor** for Swedish companies rather than their internal challenge at this point.

This could be partially explained since as part of the **Government Assignment**, Business Sweden received a “**supplementary State commission**” to reinforce sustainability in its activities of export promotion, in a way to operationalize the policy that has been pushed from the Government and produce deliverables that could meet the needs of Swedish companies, which were also demanding strongest and clearer instruments to meet their challenges in both Sweden and international markets. This supplementary commission delivered five subprojects:

1. Toolkit⁶⁹

This document was developed along with the Swedish Institute and published in 2017. The idea is to show how Swedish companies have integrate sustainable products and

⁶⁷ Business Sweden (2015) *Annual Report 2015*. Online document. Retrieved from: <https://www.business-sweden.se/Om-oss/Om-Business-Sweden/arsredovisningar/arsredovisning-2015/> (Accessed; June 20, 2018)

⁶⁸ Business Sweden (2016) *Annual Report 2015*. Online document. Retrieved from: <https://www.business-sweden.se/en/about-us/annual-report-2016/> (Accessed; June 20, 2018)

⁶⁹ Sharing Sweden (2018) *Swedish sustainable business*. Online document. Retrieved from: <http://sharingsweden.se/materials/swedish-sustainable-business/> (Accessed June 20, 2018)

services to their core business. This toolkit, however, does not focus on how the sustainability management must be carried out inside an organization. It is rather a showcasing of the Swedish companies offering to its clients.

2. CSR guide⁷⁰

This document might be the strongest and most complete instrument the Business Sweden provides for Swedish companies in terms of sustainability management. It has a clear work flow that complies with international sustainability instruments as it establishes six steps to incorporate sustainable business before exporting. The document is mostly aimed to small and medium-sized (SME) companies or entrepreneurship, showing potential to be deepened in its application to Swedish subsidiaries abroad and to Business Sweden as an organization itself. It also represents a clear link between its duties to support Swedish companies abroad in a preventive perspective and the demands from the private sector for a clear instruction on how to manage sustainability within their organizations, it is the result of a research work conducted in ten international markets.

The guide is aimed at those who want to start working on sustainability, but also for those who want to develop existing work. It is an aid and aims to provide guidance and inspiration for sustainable entrepreneurship for both small and medium-sized companies that are going to export and who have an international value chain.

The guide contains six steps to successful sustainability work and provides basic knowledge of what sustainable entrepreneurship means and how it can be done in practice. We highlight specific challenges and risks in the various areas as well as provide tips for preventive measures that should be taken. We also highlight some inspiring companies that work actively with one or more of the four areas.

3. Steps to export:

This practical guide sets the direction for Swedish companies in their export process, from the step one selecting the market to the checking of export rules.

⁷⁰ Business Sweden (2018) *Hållbarhetsguiden*. Online document. Retrieved from: <https://www.business-sweden.se/Export/tjanster/utbildningar-och-guider/guider-om-exportregler/csr-guiden/> (Accessed June 20, 2018)

Sustainability has been recently included in this guide as “an increasingly important competitive aspect as investors, clients and consumers are increasingly demanding.”⁷¹

4. Information material regarding delegation trips:

For delegations where Business Sweden or representatives from the Swedish government are participating, participating companies are now indicted to stress their commitment with sustainability in terms of the four main areas of the UN Global Compact, demanding companies not to be involved in breaches of their expected behaviour in such areas.

5. Course material:

Yet in this stage, Business Sweden realizes that **internal capacity building is key** for both helping Swedish companies and to raise awareness of sustainability related risks and to generate a response from Business Sweden employees as well. The idea of a course material is to have internal training to identify the main risks that the organization faces internal and externally, along the application of other instruments such as the CSR guide and the Steps to export.

This mandate was meant to be completed as of **2017, which is the year where a strongest focus** on sustainability is set within the organization. Not only for the actual delivery of the instrument listed above, but for many other milestones worth highlighting.

First, it is the **first time** since the creation of Business Sweden that the highest level of decision making, **the Chief Executive Officer, stresses the importance of a sustainability policy in a public and official document**, its opening letter, emphasizing on the importance that the organization is giving to the business case of sustainability in order to achieve better financial results.

Business Sweden takes Agenda 2030 seriously. We are convinced that sustainability can and must drive profitability to make it come true. During the year we therefore developed our advice on issues on human rights, working

⁷¹ Business Sweden (2018) *Steps to export*. Online document. (Accessed June 20, 2018)

conditions, environmental protection and anti-corruption.

We write more about this in our sustainability report, which is reported separately.

Ylva Berg. ⁷²

Secondly, this is the year where the **first separate Sustainability report is released**⁷³⁷⁴, a remarkable milestone in Business Sweden's way to report and communicate the efforts and progress in integrating corporate sustainability practices to its operations. The specific content and relevance of this report will be further developed in the analysis of the sustainability policy, strategy and instrument in future chapters; being this report the main source of information for such objective. The creation of this report is also linked to the next milestone.

Thirdly, the **creation of the position “Manager for International Sustainable Business”** is a clear sign that the organization is focused on giving a special emphasis to the topic in a sense of stability in time. This position does not only create a management position, but also integrates the creation of a team specifically dedicated to review the policy, create and implement a strategy and design the instruments that will comply with the role that Business Sweden has been assigned to develop as an EPO. In addition, the Manager for International Sustainable Business **occupies a seat in the Board of directors, as part of the management team**. It is worth highlighting that the board of directors of Business Sweden is not only integrated by internal managers only, but by members of the Ministry of Foreign Affairs and other private companies; which together shape and set the direction of the organization, being this the maximum decision-making instance. This is a clear commitment from the corporate governance towards the inclusion of sustainability management as a crosscutting area in the entire organization.

⁷² Business Sweden (2017) *Årsredovisning 2017*. Online document. Retrieved from: <https://www.business-sweden.se/Om-oss/Om-Business-Sweden/arsredovisningar/arsredovisning-2017/> (Accessed June 20, 2018)

⁷³ Business Sweden (2017) *Sustainability Report. Accounting principles*. Online document.

⁷⁴ Sustainability reporting is mandatory in Sweden for State-owned companies since 2011. However, Business Sweden as its owned in 50% by the Swedish government, does not have an obligation to comply with the Swedish regulation on Annual Accounts Act.

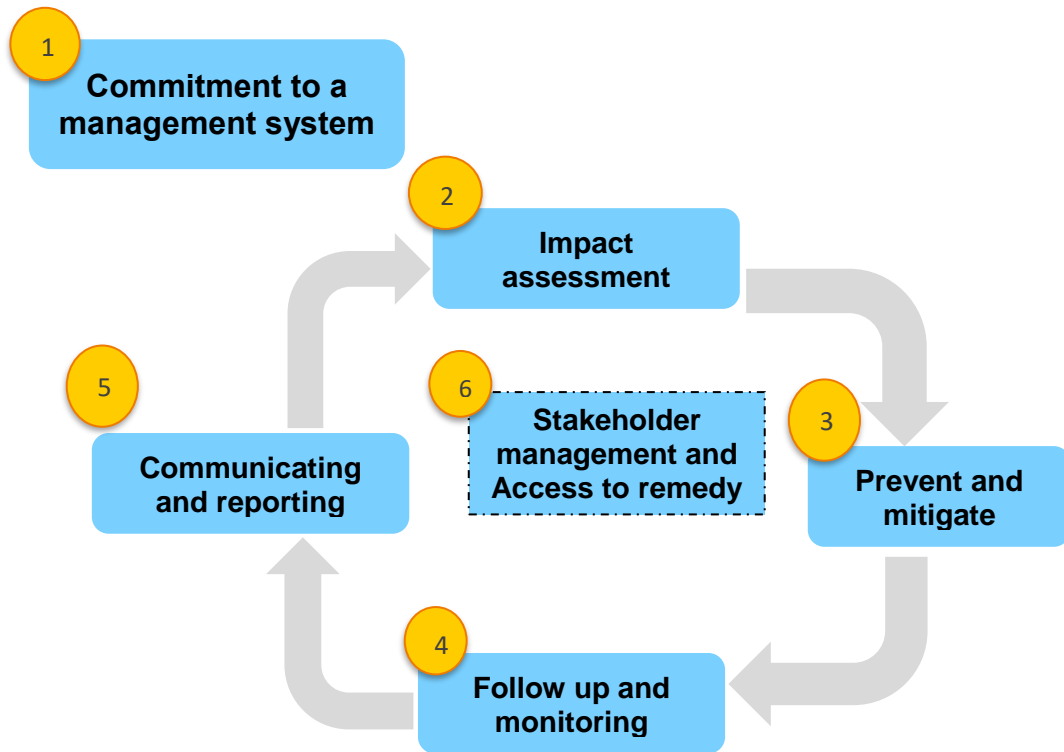
When analysing the timing and the reasons why since 2016 there has been a more clear and concrete approach to sustainability management within the organisation, it is natural to question **where did the pressure or the interest categorically come from**. According to Marie Trogstam, Manager for International Sustainable Business, in an interview the author conducted in May 2018, she recognises there are several driving forces that accelerated the process. The assignment from the MFA in 2016 and 2017, where the mandate was to raise the knowledge also among Business Sweden itself was key. Other parts of Team Sweden such as EKN (Swedish National Export Credits Guarantee Board), have also been requesting Business Sweden to fill this gap. However, she also highlighted that the push came from all kinds of stakeholders, such as the private business sector. Swedish companies already had developed a long trajectory in these matters and expect a proactive role from Business Sweden. Also, these companies constitute a benchmark, at the same time that they want to receive more support from Business Sweden. Civil society, was also a key sector as they ask questions through the government regarding Business Sweden's role as a multiplier player with different types of influence, which is unique. Other driving forces have been also coming from employees, mostly millennials which take sustainability management as a main concern and, as Marie stresses, it is one of Business Sweden's top priority to maintain and attract top talent.

The timing, says Marie, was also an important factor, since after the Agenda 2030 came in force, processes and stakeholder demands started to align towards the same direction.

Sustainability strategy

According to most international sustainability instruments, there is an optimal work flow to follow when it comes to setting a strategy for implementing sustainability management inside an organisation, which could be unified as the following:

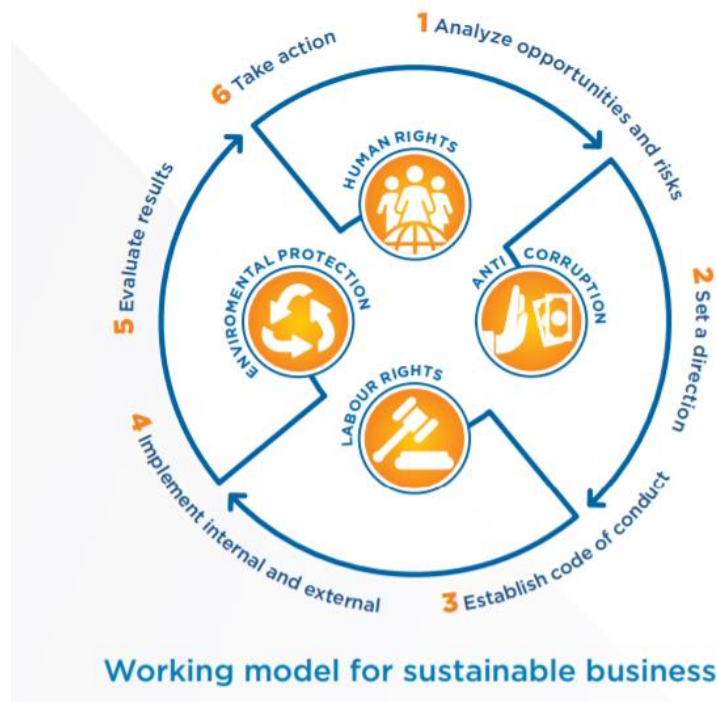
Figure 7: Work flow according to main international sustainability instruments



Source: Own elaboration with data from Centro Vincular-PUCV, 2017.

In the case of Business Sweden, they have **committed to a management system** and to develop a strategy. In this case, the organization moves forward to integrate other international sustainability instruments such as the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and the Agenda 2030 for Sustainable Development. The working model adopted by the organization shares a lot of similarities with the work flow proposed by international sustainability instruments, placing the four main topics of the UN Global Compact Ten Principles in the centre of it.

Figure 8: Working model for sustainable business



Source: Business Sweden's Sustainability Report, 2017.

This commitment to a sustainability strategy is an innovation within the organisation. It is worth highlighting that the strategy counts on the political commitment from the top decision-making instance, the CEO, being this an internationally recognised best practice in terms of corporate governance. The Board therefore recognises that there is a changing and dynamic international reality, which demands a stronger view on how to make sustainable business, which is a matter of “long-term profitability”⁷⁵. In this declaration, the CEO also stresses the importance of the role that Swedish companies have abroad as representatives of Swedish values and principles, to maintain a strong profile for corporate sustainability in order to take advantage of the opportunities that the global transition to a sustainable society brings, proving again the business case of sustainability.

⁷⁵ Business Sweden (2017) *International Sustainable Business: Sustainability Report for the financial year 2017*. Online document. Retrieved from: <https://www.business-sweden.se/contentassets/0bf936ee8bbb46b38a02b449a26c20ad/business-sweden-sustainability-report-2017.pdf> (Accessed June 9, 2018)

The second step of the work flow in Figure 4, is related to the **impact assessment** where they identify the risks they face. This due diligence is crucial as the identified risks will define the type of measures or instruments the organisation will design in order to prevent and mitigate them, as well as to comply with the following steps.

Government departments, the business sector and civil society all took part in the process and were invited to state their views on how Business Sweden could best assist Swedish companies to adopt more sustainable business practices. It has been concluded that Business Sweden should provide particular support to Swedish companies when it comes to safeguarding human rights and opposing corruption, both in foreign business relations and during investments in Sweden. This activity has opened up a progressive discussion about the responsibilities and roles of government departments, public bodies and the private sector when it comes to promoting sustainability issues, which we will continue to build on.

Ylva Berg, CEO.⁷⁶

A crosscutting stage is the conduction of stakeholder management exercises, which Business Sweden implemented along with civil society organisations, their clients, the Minister of Foreign Affairs and their own employees to identify the expectations of these stakeholders within the framework of the triple helix approach. According to Marie Trogstam, Business Sweden conducted a dialogue with stakeholders, which main outcome was the definition of the main two areas where they believed Business Sweden can offer greater support: human rights and anticorruption. As a result of this, which could be mostly taken as an impact assessment, the organisation identified four main expectations from the stakeholders:

1. (...) the key differentiator is how Business Sweden acts in its advisory role and the steps it takes to set high standards in practices for Swedish companies.

⁷⁶ *Ibídem.*

2. Business Sweden's employees are not expected to be sustainability experts. However, they are expected to be able to demonstrate general knowledge about sustainability, and especially related to sustainable business practices.
3. Business Sweden is expected to adopt a more pronounced role in sustainability work.
4. Business Sweden is expected to demonstrate a clearer structure and policy framework for its sustainability work, based on accepted international standards.

Therefore, the Board of Business Sweden resolved they would focus on two main topics out of the four that the UN Global Compact establishes, which are human rights and anticorruption. By setting these two topics as the centre of the sustainability strategy, in order to **prevent and mitigate** its impacts and the ones from Swedish companies in their process of internationalization.

The need to **monitor and measure** the progress is related to indicator as much as to **communicate and reporting** is related to having a structures way or preparing a sustainability report. In this case, the organisation will work to develop an effective key performance indicator (KPI) and will continue to communicate its advancement and improvement through an annual sustainability report following international trustworthy guidelines.

Connection to the business strategy

In this stage, there is no possibility to conduct an evaluation in terms of results, as according to the interview conducted to Marie Trogstam, Business Sweden's strategy on sustainability could be accurately be classified as "work in progress". She highlights that the integration of corporate sustainability to the business strategy was decided by the board in 2017, setting 2018 as the year for implementation and measuring progress through a strategic KPI which is under development stage. This KPI is considered as one of their main challenges as the organisation acknowledges the importance of measuring impact and progress.

Nevertheless, in terms of the organization's business strategy, sustainability is integrated in one of the three main areas of the organisation's 2020 strategy: "proven effect on internationalisation", which more than a strategic objective is the clear proven reason of their existence as an EPO, to prove their relevance in the internationalization of Swedish companies and, therefore, contributing to Sweden's prosperity. Under this strategic objective, the creation of a new indicator called "international sustainable business" will measure how the organisation affects the process of integrating sustainability to business practices in both export and investment promotion.

However, there is not specification about how this indicator will be measured, if it would be applied only to international offices or if there are already results on which are the main complex markets where Business Sweden is facing the biggest risks and challenges. This is a fact Business Sweden acknowledges, by stating that the lack of a structured sustainability programme is considered a serious risk, one that they are already working on.

(...) the lack of a structured and well-communicated sustainability profile may jeopardise Business Sweden's brand as an employer and complicate the recruitment of top talent and relevant skills, as well as negatively impact employee commitment levels. This poses a serious risk as Business Sweden's greatest asset is its employees and their expertise in their role as advisors. This means that sustainability not only affects Business Sweden's strategic image as a world-class promotion agency, but also brand attractiveness and Employee Satisfaction Index. (...) Further consequences for Business Sweden could be loss of revenue and reduced Client Satisfaction Index.⁷⁷

The relevance of such statement relies on the openness and transparency the organisation shows by admitting the sustainability management and internal policies are not fully established, but furthermore, that there are risks associated with the

⁷⁷ Business Sweden (2017) *International Sustainable Business: Sustainability Report for the financial year 2017*. Online document. Retrieved from: <https://www.business-sweden.se/contentassets/0bf936ee8bbb46b38a02b449a26c20ad/business-sweden-sustainability-report-2017.pdf> (Accessed June 9, 2018)

capacity of the organisation to attract talent, maintain loyal clients and, at such extent, reduce impacts in their revenue; recognising the importance of integrating the sustainability lenses to their core business strategy.

Priorisation criteria

According to an **interview conducted to Karin Grauers**, Chief Legal Counsel of Business Sweden, she explains that the sustainability strategy is **preferentially aimed to small and medium sized companies**, which also complies with the previously described mandate from the Ministry of Enterprise and Innovation and the Ministry of Foreign Affairs.

This decision is based on the starting assumption that large companies are supposed to count with the capabilities, knowledge and resources to be aware of risks and measure their potential impacts when they decide to establish operations abroad or when they decide to export; while SMEs mostly lack the resources to have a dedicated person or area in sustainability. In this sense, the instruments designed by Business Sweden are **prioritised in terms of resource availability, geographical proximity (SMEs in Sweden) and from a preventive approach**.

Even though the first part of the criteria is widely accepted as SMEs do in fact require more support from public institutions as Business Sweden, this priorisation criteria may not be completely accurate **as it is focused on maximising the positive impacts of the organisation in “doing good” instead of focusing on minimising negative impacts and “do not harm first”**.

This criteria that is broadly recommended in most international sustainability instruments indicates that the **priorisation must be made based on where the highest impacts are allocated**, as part of a due diligence process. These urgent impacts are most likely to exist in the supply chain of a Swedish company operating in an international market where the rule of law is weak in terms of human rights protection, where there is a lack of anticorruption measures and negligent labour conditions; rather than in a medium sized Swedish company operating in Sweden planning to export to neighbour markets.

In this sense, in order to integrate corporate sustainability to Business Sweden's offering in a more comprehensive way, **these challenges must also be addressed along with Swedish companies operating abroad, regardless of their size, industry focus, products or services offerings**, or any other criteria. By featuring complex markets first, this is an idea that the organisation has applied before in the creation of the CSR Guide in 2016, working with ten international markets with commercial Swedish footprint.

Another example of these type of projects that involve all types of Swedish companies in the formulation of international programs to address sustainability risks is the Sustainability Program conducted by Business Sweden in Chile in May 2018. According to the review of Johan Andersson, Trade Commissioner and Business Sweden Regional Director for Chile, Argentina and Peru in a public statement, this initiative reunited fifteen Swedish companies that share the common denominator of representing Sweden abroad:

(...) a nation that is considered to be one of the leading nations globally in terms of sustainable business. But as an export dependent country, we also have a strong footprint around the world, where we need to conduct this sustainable business to reduce the distortion between what is conducted by Swedish companies in Sweden and Swedish companies abroad.⁷⁸

This "distortion" is most commonly presented as an implementation gap that goes beyond the instructions and guidelines provided from the headquarters (HQ) in Sweden to their international operations. This gap most likely responds to a matter of different schemes of organizational culture, local reality and natural flaws in international or intercultural communication process. As the idea of "corporate sustainability" that a Regional Manager of a Stockholm-based Swedish company may broadly differ from the idea that a Supply Chain Manager of a Swedish subsidiary has in complex markets such as China or Bangladesh, even within the same organisation

⁷⁸ Business Sweden in Chile (2018) *International Sustainable Business by Sweden Conference in Chile 2018*. Audiovisual material. Available at: <https://www.youtube.com/watch?v=79jPi0jeVHM&t=7s> (Accessed June 20, 2018)

and under the same brand or company. In a potential event of a crisis, for example, the questions will be addressed to the headquarters as much as to the local subsidiary, affecting negatively the reputation of the entire company, holding or group; and directly affecting the Swedish brand as a country.

These types of programs in international markets call upon Swedish companies to enhance their capacity building and fulfil implementation of sustainability practices and policies in their operations with a close support from Business Sweden and Swedish embassies and institutions abroad. Also, it is worth highlighting that these types of collaborative programs do not demand Business Sweden employees to be specialized consultants in sustainability management, but encourage internal capacity building for them to enhance their knowledge in the topic, while contacting specialised institutions for further support.

The “double challenge”

The sustainability management challenge within Business Sweden is quite unique. As stated by Marie Trogstam, Business Sweden has a double challenge, one internal related to the organization’s sustainability management, and one external related to advice Swedish companies in corporate sustainability. In this sense, she highlights the especial factor that the organisation must address both challenges simultaneously, “the challenge is that we cannot choose: we need to be better internally at the same time as we become better advisors for Swedish companies”.

This statement means that the strategies and instruments must, therefore, respond to such challenges as effectively as possible. One viable way would be to work towards the internal management in a way that it could be seen as an example for Swedish companies, at the same time the organisation creates specific sustainability instruments for providing external advice to Swedish companies. However, later in the study, the question about the instruments will broaden towards the mandate of integrating sustainability criteria in the service offerings.

Sustainability instruments

Instruments are a way to materialise the sustainability strategy into actions and activities aimed to the achievement of the overall objectives in a practical

implementation. According to Marie Trogstam, these instruments must serve both their purpose managing sustainability internally within the organisation and also to support Swedish companies in this task.

However, the Swedish government does not specify in its mandate on corporate sustainability assignment to Business Sweden that the organisation also has an internal duty to develop and manage corporate sustainability. This is a conclusion that the International Sustainable Business Management team reached at the time of comparing to other Swedish companies, which happen to be Business Sweden's clients.

Therefore, in the sustainability report there is now a clear intention to highlight that there are also internal instruments that must be carried out and developed in order to have a comprehensive sustainability management but also, to lead by example.

This could be one of the reasons why in the first sustainability report here is a clearer definition a sustainability strategy: under the ten principles of the UN Global Compact, identifying activities they must comply with internally, stablishing three main objectives they have set as priorities for their internal sustainability management. This is a clear sign of a risen awareness that **in order to be better externally in their duty to support Swedish companies, they must therefore become better internally.**

Table 2: Sustainability instruments in force (internal)

Area	Objectives	How (instruments)	Goal 2020
Workforce	Achieve an equal and attractive work environment	Promoting diversity throughout the organisation and gender equality in managerial positions; Global competence framework applied in all recruitment process and career promotions; Quota 50% of trainees should be female; Policy regarding equality, discrimination, and harassment; Code of conduct	Achieving 35-45% of women in management and trade commissioners; 45-55% women in Management in Sweden; 35-45% women in management international offices
Environment	Control and reduce environmental impact	Adjusting the travel policy to include environmental measures	Reducing greenhouse gas emissions by 25–40% 1990–2020
Human rights and anticorruption	Strengthen internal competences in anticorruption measures and respect for human rights	Ensuring that all personnel are well aware of our Code of Conduct and complete the digital training in sustainable business practices; Creating a whistle-blowing feature for denounces; Policy on business entertainment and gifts	Achieving 100% of employees completed the training programme on sustainable business practices

Source: Sustainability Report 2017, Business Sweden.

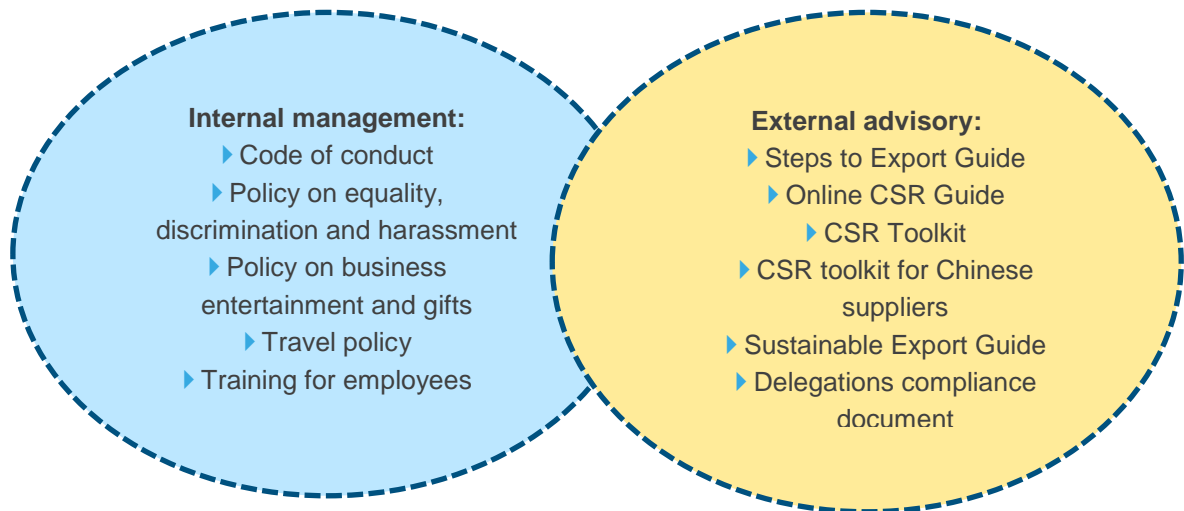
In an interview to Marie Trogstam, she declares the organization is putting special emphasis in developing internal sustainability instruments to cover the areas of the organisation which were mentioned during the stakeholder dialogue, such as the

procurement policy, supplier code of conduct, travel policy, environmental and social aspects in the travel policy. This showcases the especial emphasis on enhancing the instruments and policies, where the organisation already has remarkable best practices. However, the areas that they identify to have most of work to be done is in the integration to the service offerings, specifically to revise each service separately and start designing a sustainable approach accordingly.

In this sense, there are several instruments that could work for both internal and external purposes. For example, the internal digital training that all employees must approve during 2018, is an instrument that serves both duties: internally, it creates more awareness of these topics within the organisation to prevent any type of act related to corruption within the employees, but also externally: employees are able to advice companies whenever they face a complex situation in terms of bribery or any kind of corruption practices.

Business Sweden's sustainability instruments could be divided in two kinds then, the ones intended to internal purposes and the ones intended to external advisory. Being the internal aimed to operationalise the sustainability strategy within the organisation, and the external the ones intended to enhance the work Business Sweden conducts with Swedish companies in Sweden and in international markets.

Figure 9: Sustainability instruments in terms of its purpose (internal or external management)



Source: Own elaboration, from Sustainability Report 2017.

The instruments spotted in the external advisory category are at some extent the same instruments that were implemented in 2016 with the complementary state commission, intended to work and advising Swedish companies in Sweden, but mostly, in international markets.

However, the operationalisation of the corporate sustainability strategy would be much stronger if it was integrated to the service offerings directly, along with the external tools available, attending to a cost-efficiency logic and also complying with one of the parts of the mandate of the Swedish government.

Figure 10: Correlation of the sustainability strategy with the government's mandate

Swedish government mandate	Sustainability strategy
Aimed at supporting Swedish companies in their sustainability efforts;	Yes
Oriented to SMEs in a preferential way;	Yes
Headed to improve and enhance its services offered to the Swedish companies in terms of sustainability in the export promotion;	Partially
Instructed to integrate international sustainability instruments that are broadly comprehensive in terms of its materiality (such as OECD Guidelines for MNEs and the UN Guiding Principles on Business and Human Rights);	Partially
For Swedish companies in Sweden and operating in international markets	Yes

Source: Own elaboration.

Also, when it comes to the compliance with more comprehensive international guidelines, the strategy is only focused on the UN Global Compact principles, which as shown in Table 2, is not the most comprehensive tool in terms of areas of content.

Integrating sustainability to Business Sweden's offerings

According to Marie Trogstam, there is a necessity to operationalise sustainability in the consultancy services that Business Sweden offers to Swedish companies. This decision came directly from the board on December 2017 to integrate sustainability to the services the organisation provides, along with the mandate from the Swedish government.

In this sense, revising the services offering of the TPO, such integration is widely possible to realise. Business Sweden help Swedish companies abroad in their internationalisation process, whether with initiatives that are co-financed by the Swedish government or within a fully private project. In both cases, Business Sweden

offer three type of consulting services based on the timing of each company. Each of these consultancy services may, in one way or another, integrate the sustainability management “lenses” to enhance the delivery and increase client satisfaction, while achieving the overall objective of minimising risks for Swedish companies.

▶ **Identify your new markets**

We help our customers to identify, evaluate and develop their market potential and to create new business opportunities outside Sweden. Our staff are on hand to help you and your company to take on the new market. We provide an insight into your company’s opportunities to grow its international revenue, both strategically as well as tactically and operationally.

We ensure that you are aware of:

- ▶ Which markets have the best conditions for revenue growth for your business.
- ▶ What makes you competitive in relation to the competitors you will encounter.
- ▶ How local customs duties and trade regulations, document requirements and delivery conditions will affect your sales opportunities.⁷⁹

The identification of new markets does not only apply to the companies that are planning to export for the first time, also applies to companies which have been operating abroad for some time and have decided towards expanding their sales to another market or region. This stage is also a great opportunity to integrate the sustainability management to this market identification with international sustainability tools widely available.

⁷⁹ Business Sweden (2018) *Services. Identify your new markets*. Online webpage. Retrieved from: <https://www.business-sweden.se/en/Trade/professional-services/identify-your-new-markets/> (Accessed on: June 23, 2018)

For example, the Dutch Government has developed a CSR Risk Checker⁸⁰ that features an online customized tool in terms of markets and industry type, providing a detailed report on the risks faced in terms of fair business practices, human rights and ethics, labour rights and environment. It also features a world map showing a detailed list of risks that each country faces in these four categories. This is valuable sustainability information that could not only influence a responsible business decision, but also build awareness in companies at an early stage.

▶ **Accelerate landing**

Regardless of whether you are a start-up, a medium-sized company or a major listed corporation, we will help you to:

- ▶ Understand the marketing and sales potential, your customers' customers, and the competitors in your chosen market.
- ▶ Find the sales channel that is most effective for your products or services, and ensure the right offering and pricing in the right context.
- ▶ Identify which business partners are right for your company's brand and offering.
- ▶ Ensure that you have the correct certifications for your products and are able to use local regulations to your advantage.⁸¹

In accelerate landing stage, the consultancy services often include a due diligence process whether it is by finding a local partner, an importer or establishing a new subsidiary with offices and human resources. This is a great stage for integrating sustainability management to their offerings.

In this stage Business Sweden can go further in the due diligence process and include the utilisation of the CSR Toolkit designed for Chinese providers, which is applicable

⁸⁰ MVO Nederland (2018) *CSR Risk Check for Companies*. Online tool. Retrieved from: <http://www.mvorisicochecker.nl/en> (Accessed on June 23, 2018)

⁸¹ Business Sweden (2018) Our services. Accelerate landing. Online webpage. Retrieved from: <https://www.business-sweden.se/en/Trade/professional-services/accelerate-landing/> (Accessed on: June 23, 2018)

to any other market. Also, to carry a due diligence in terms of human rights, labour conditions, environmental and anticorruption measures. This preventive approach will ensure a Swedish company they are doing business in a sustainable way.

By integrating this to their services they will also be raising awareness to the Swedish company as well as to the subsidiary, providers and or local partner that these are the standards that business will be conducted in a permanent way, considering a breach in such standards a grave fault in their business relation. This is a tool for Swedish companies to use their leverage in their supply chain from day one.

▶ **Propel growth**

From strategic approaches to joint ventures and acquisitions, to practical insights on how to effectively lead, develop and evaluate one's distribution network and make it successful (...)

We can help you and your business to: (...)

▶ Identify the really big business deals and investments in the market and help you to win them. We monitor the major procurements both centrally and locally, and we have the necessary contacts to be able to reach strategic decision-makers.

▶ Find the best way to get the leverage for your sales through the involvement of networks, authorities, international organisations and banks, which we can provide because we are, in part, a government agent. We will guide you in the right direction concerning strategic matters and provide you with solid support.

▶ Produce a strategic growth plan that is linked to your overall objectives. We identify the strategic initiatives required, conduct in-depth studies of the opportunities and risks,

establish detailed plans, and estimate the investment requirements.⁸²

In the propel growth stage, there are several strategies that could be applied depending on the type of company and overall market conditions. Mostly in all cases there is room for integrating sustainability in them. For example, by working together with Swedish institutions that can provide advice in terms on networking and financing, by setting a support only with institutions that are widely recognised for taking into consideration a responsible business conduct such as EKN or international banks. Incorporating the non-conventional risks perspective in sales growth is also applicable in this stage with international tools as the Dutch CSR risk checker.

There is also a great opportunity to develop a competitive advantage out of sustainability management, by linking these practices to the Swedish brand and promoting services and products with this label, which can open doors in business with both public and private sector seeking to attract sustainable companies to leverage CSR standards in their markets.

▶ **Training and guides**

This area is covered by the CSR Guide, providing online advisory related to sustainability management. One way to enhance this tool is permanently update this information with new tools and resources aimed to strengthen the sustainable business perspective. Also, there is room for implementing sustainability lenses in all the guides that Business Sweden makes public, for instance, a chapter or a branch in corporate sustainability could be integrated in the Business Sweden insight reports⁸³ as mandatory content.

The integration of sustainability to the service offering does not only comply with the Swedish government's mandate on CSR policy, also serves both purposes or challenges in terms of: a) increasing internal knowledge and capabilities for employees

⁸² Business Sweden (2018) *Services. Propel growth*. Online webpage. Retrieved from: <https://www.business-sweden.se/en/Trade/professional-services/propel-growth/> (Accessed on June 23, 2018)

⁸³ Business Sweden (2018) *Business Sweden insights*. Online webpage. Retrieved from: <https://www.business-sweden.se/en/Trade/analysis-and-reports/> (accessed on: June 23, 2018)

and strengthening internal capacities; b) better assisting Swedish companies to conduct sustainable business in Sweden and abroad.

From a cost-efficient perspective, the integration of one sphere of knowledge (corporate sustainability) to the actual services is an advantage, since there is no need for greater specialisation level in order to integrate ESG factors in projects.

From a client and employee satisfaction perspective, integrating of sustainability to the service offering is proven to influence positively in the quality of the services, as it will increase client satisfaction indexes and create a stronger sense of awareness within the employees. This is a tool that will therefore affect positively the overall performance of the organisation and have a direct positive impact on revenues. Factors that altogether were identified as the main risks that Business Sweden faces due to its lack of a clear sustainability strategy.

CHAPTER V – CONCLUSIONS AND RECOMMENDATIONS

The incorporation of corporate sustainability in the operations of Business Sweden have been shaped from the start of its existence, up to more recently being integrated to their business strategy and elevated to a seat in the board of directors. The motivation behind this incorporation responds to several factors, being of the most important, the need of the organisation to minimise its ESG related risks and impacts.

There is a progressive work in place that involves the creation of instruments and initiatives that respond not only to a harmonized public policy from the Swedish government, but to market, employees, civil society organizations and other stakeholders demands in a triple helix perspective of permanent improvement.

When it comes to maximising the exports and/or work for the social and economic prosperity of Sweden, Business Sweden has integrated in their strategy the duty to promote the Swedish brand abroad and maintain a privileged status as an international referent in terms of conducting responsible business. The organisation has identified a competitive advantage in the implementation of sustainability management, as Swedish companies preventing ESG related risks and mitigating their negative impacts, are most likely to have a positive effect in maximising Swedish exports. Socially and economically, the application of these instruments helps the purpose of the organisation as it contributes to sustainable development.

The government's mandate on corporate sustainability is partially operationalised in the organisation's sustainability strategy. It lacks the integration of sustainability in its service offering in export promotion; and does not integrate some of the most comprehensive international sustainability instruments in the materiality.

Business Sweden as a TPO has recently realised it faces a double challenge regarding corporate sustainability management, as it was originally intended to support Swedish companies in the export promotion process in response to the government's mandate; but along the way the organisation started to bring higher attention to its duty to manage it internally to become better first. For this purpose, it must enhance its

strategy and instruments to respond to both challenges simultaneously but also separately.

Regarding the prioritisation criteria, by mainly working with SME companies as a priority and focusing on human rights and anticorruption, Business Sweden may not be taking into consideration the magnitude of its area of influence. One of the recommendations is to integrate sustainability lenses to the consultancy services offerings, focusing on the higher impacts rather than the smallest companies.

One of the key findings on sustainability management in large Swedish companies is the common existence of an implementation gap within headquarters and subsidiaries in international markets. This is explained by many factors, however the most common are the fact that there are different cultural backgrounds that might affect the way that a global policy from headquarters is understood in a local context where a subsidiary operates. This is a challenge that opens an opportunity to Business Sweden to make a shift in the way it conceives and conducts a sustainability strategy to focus on the highest impacts first.

As a recommendation, it would be appropriate to move forward in the integration of sustainability to the service offering by using publicly available resources (such as the CSR Risk Checker of the Dutch government) to comply with the Swedish government's mandate on CSR policy, also serving a double purpose in terms of: a) increasing internal knowledge and capabilities for employees and strengthening internal capacities; b) better assisting Swedish companies to conduct sustainable business in Sweden and abroad.

The integrating of sustainability to the service offering is proven to influence positively in the quality of the services, as it will increase client satisfaction indexes and create a stronger sense of awareness within the employees. This is a tool that will therefore affect positively the overall performance of the organisation and have a direct positive impact on revenues.

For the purpose of broaden the focus areas of the internal impact assessment, it is recommendable to take into consideration other types of global risks that might affect

the organisation such as the ones monitored by the World Economic Forum annually in its Global Risk Report.

It will also be tactical to revise the impact assessment from a perspective of “do no harm first” which is to identify the higher negative impacts first, rather than focusing only in maximising the positive impacts. This shift in the due diligence process will necessarily affect the sustainability strategy and push it for modifications, as it will inevitably have to integrate also large companies operating abroad rather than only SMEs. Also affecting the areas of focus (moving forward from human rights and anticorruption only) as relevant areas of ESG analysis may vary depending on the context where impacts are allocated.

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