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FEATURED Q&A

Will Latin American Companies Agree on Reporting ESG Data?



U.S. officials are expected to soon detail what companies must tell investors about their carbon footprint. // Image: geralt via Pixabay.com.

Q The U.S. Securities and Exchange Commission is expected to announce a draft rule this year detailing what companies must tell investors about their carbon footprint. The agency's consideration of the subject follows November's COP26 U.N. climate conference in Glasgow at which banks, insurers and investors, who collectively control \$130 trillion in assets, said they would use their capital to achieve targets of net zero emissions in their investments by 2050. As the focus on ESG investing grows, to what extent should Latin America-based companies be required to report ESG data? How can companies best measure and disclose how they are meeting their ESG targets? What are the most important ways in which the trend toward global ESG reporting is affecting businesses in the region?

A Pablo David Necochea Porras, ESG and sustainability senior manager at Televisa: "Latin America-based companies should be required to report environmental, social and governance (ESG) data as markets are ready to assess risks and opportunities concerning a range of ESG issues. ESG analysis has risen on the public agenda, and the number of companies and institutional investors integrating ESG factors into analysis and decision-making has considerably increased. Latin America-based companies incorporate ESG factors in reporting and designing business strategies as a powerful corporate tool to measure and disclose how they are meeting their ESG targets. As a result, these companies gain a competitive advantage, strengthen internal performance and maintain a transparent relationship with stakeholders, especially investors. Companies and investors are

Continued on page 3

TODAY'S NEWS

POLITICAL

U.S. Authorities Charge Colombian in Moïse Plot

U.S. authorities have arrested and charged a Colombian national, Mario Antonio Palacios, in connection with the assassination last July of Haitian President Jovenel Moïse.

Page 2

ECONOMIC

Remittances to Mexico Rise 37.7% in November

Mexico received \$4.67 billion in remittances in November, a 37.7 percent increase as compared to the same month a year earlier. The country's remittances for the year through November exceeded its total for all of 2020.

Page 2

POLITICAL

Peru's Attorney General Opens Probe of President

Peru's attorney general has opened an investigation of Pedro Castillo amid allegations of influence peddling. Castillo denies wrongdoing and calls the accusations politically motivated.

Page 2



Castillo // File Photo: Peruvian Government.

POLITICAL NEWS

U.S. Charges Colombian in Moïse Assassination

U.S. authorities have arrested and charged a Colombian national, Mario Antonio Palacios, in connection with the assassination last July of Haitian President Jovenel Moïse, the U.S. Department of Justice announced Tuesday. Palacios, 43, is charged with conspiracy to commit murder or kidnapping outside the United States and providing material support resulting in death, the Justice Department said. The criminal complaint unsealed on Tuesday alleges that Palacios and others, including a group of approximately 20 other Colombians, along with a group of Haiti-based Haitian-Americans participated in the plot, with one member of the group traveling to the United States on June 28 to provide others with a "written request for assistance" related to the assassination plot, the Justice Department said. The plot initially focused on kidnapping Moïse "as part of a purported arrest operation," but Palacios and others entered Moïse's residence on July 7 "with the intent and purpose of killing President Moïse," the Justice Department alleged. Palacios was recently deported from Jamaica and, during a layover in Panama, "agreed to travel to the United States," the Justice Department said. According to the criminal complaint, Palacios spoke voluntarily with U.S. authorities last October in Jamaica, telling them he had been hired to participate in an operation to arrest Moïse and to provide security for the operation, the Associated Press reported. A former soldier, Palacios appeared Tuesday in federal court in Miami but did not enter a plea. Wearing a gray T-shirt and jeans, Palacios told the judge that he wanted a court-appointed attorney. He also responded to questions about his property and income, saying he received a \$370 army pension and owned a house in Cali, the wire service reported. U.S. Magistrate Judge Alicia Otazo-Reyes ordered Palacios to be held, saying he posed a flight risk. Alfredo Izaguirre, a court-appointed attorney for Pala-

cios had recommended that Palacios remain in custody because he lacks any immigration status, relatives or ties to the United States, the AP reported. Palacios is scheduled to appear in court next on Jan. 31, and Izaguirre said his client will likely plead not guilty during that court appearance, the AP reported.

ECONOMIC NEWS

Mexico Sees 37.7% Rise in Remittances in November

Mexico's level of remittances rose in November to \$4.67 billion, a 37.7 percent increase as compared to the same month last year, Mexico's central bank said Monday, EFE reported. Factoring in the 1.3 percent drop in the value of the Mexican peso against the U.S. dollar, the amount of remittances rose 39.6 percent year-over-year in peso terms, according to a note by Alberto Ramos, managing director and head of Latin America economic research at Goldman Sachs in New York. For the first 11 months of 2021, Mexico received \$46.8 billion in remittances, an increase of 26.7 percent as compared to the same period in 2020, the central bank added. The total for the year through November exceeded Mexico's level of remittances for all of 2020, during which it received \$40.6 billion in remittances, meaning 2021 will also be a record year for the transfers, EFE reported. Mexicans who are working abroad, mostly in the United States, are sending more money home to help relatives, a trend that has remained strong even during the height of the Covid-19 pandemic. "Generous wage and income support, fiscal transfers in the U.S., a competitive MXN/USD level and a deep contraction of activity and employment in Mexico have acted as both push and pull drivers of dollar remittances from the U.S. to Mexico," Ramos said in the note. In a Q&A published last August, Tara Hariharan, director of global macro research at NWI Management LP, told the Dialogue's biweekly Financial Services Advisor that "Mexico's robust remittance trends"

NEWS BRIEFS

Peru's Attorney General Opens Probe of President

Peru's attorney general has opened an investigation of President Pedro Castillo in connection with allegations of influence peddling and collusion related to government public-works contracts, Reuters reported Tuesday. The allegations center on meetings that Castillo had with representatives of companies seeking to build a bridge in an area of the Amazon and another relating to fuel sales to state-owned oil company Petroperú. Castillo has denied wrongdoing, saying the accusations are politically motivated.

Union Blasts Surinamese Government's Threat to Withhold Strikers' Pay

Suriname's Public Works Employees' Organization blasted a government threat to withhold payment from employees who have been striking since April 2021, The Gleaner reported on Tuesday. Since the strike began, employees have been going to work in the mornings and leaving before midday. Leaders of the union cite problems related to the inadequate work environment for public works employees as some of the reasons for the strike.

Brazil's MAM Asset Management Planning Takeover Bid for Alliar

Brazilian investment firm MAM Asset Management said late Tuesday that if it reaches a controlling stake in medical diagnostics company Alliar—formally known as Centro de Imagem Diagnosticos—it plans to make a public acquisition for 100 percent of the firm, Reuters reported. Nelson Tanure, head of MAM, is set to buy 52.75 percent of the company from Alliar's current controlling shareholders. Alliar's bylaws read that any investor with a stake of more than half of the company must present a takeover bid for the entire firm.

are likely to continue. “More than 95 percent of remittances come from the United States, and the U.S. economic recovery from the pandemic is likely to endure,” said Hariharan. “Increased U.S. consumer spending should support a broad range of service industries, which employ Mexican workers,” she added.

BUSINESS NEWS

BHP Vows to Adapt Chile Copper Mine Following Ruling

Mining giant BHP on Tuesday said it was committed to adapting its Cerro Colorado copper mine in Chile in order to lower the impact of a court ruling that prevents the mine from drawing water from the Lagunillas aquifer for its operations, Reuters reported. The First

“**Cerro Colorado recognizes that the new measure will have an impact on operations and on its entire value chain.**”

— BHP

Environmental Court in the northern city of Antofagasta prohibits the mine from extracting water from the aquifer for 90 additional days, or until it is determined that there is no risk of damage at Cerro Colorado. In its statement, the Australia-based company said that “Cerro Colorado recognizes that the new measure will have an impact on operations and on its entire value chain,” adding that the adopted measures “make it possible to face the contingency in a responsible manner,” Reuters reported. The Cerro Colorado mine is awaiting a decision from the court but received approval last week to continue mining operations until its environmental license expires at the end of 2023, *Diario Financiero* reported.

FEATURED Q&A / Continued from page 1

increasing their efforts in sustainability and adopting measurable ESG practices for long-term success. Through ESG measurement tools, companies and markets get comprehensible, consistent and reliable disclosures to understand important risks and opportunities related to non-financial information to create sustainable value. Even though ESG disclosures are voluntary in Latin America, the trend toward global ESG reporting is increasing in businesses. Companies already submit their ESG reports to communicate sustainability efforts and demonstrate how their sustainability strategy aligns with their business strategy. However, the challenge is that companies can choose the standards to report data and choose ESG subjects to emphasize. The variety of ESG reporting frameworks brings a lack of comparability and inconsistency in markets. The lack of standard reporting leads to comparability problems among institutional investors. Also, the lack of assurance of ESG data and information (in most corporate sustainability reports) increases the likelihood that companies will engage in greenwashing.”

A Devry Boughner Vorwerk, member of the Advisor board and CEO of DevryBV Sustainable Strategies: “The SEC is taking

an ‘all agency approach’ to determine whether public company disclosures adequately inform investors on the impacts of and company practices related to climate change. In addition, in 2021 the SEC formed a Climate and ESG Task Force within its Division of Enforcement to address ‘misconduct or misstatements’ related to company disclosures on ESG. As it relates to Latin America-based companies, some may take the forthcoming SEC draft rule seriously, and others may take little notice of the SEC guidance, believing it does not affect them, especially if they are privately held. Any company in the region—public or private—that is seeking outside capital infusions, and especially the ability to adequately insure their assets,

needs to focus on the SEC draft rule. The rule will set the course for companies and asset managers that are already subject to rigorous ESG disclosure requirements in the European Union. In many ways, the SEC rule could work to begin harmonizing the reporting requirements globally. Leaders of companies in Latin America should ask themselves whether they are taking the right company-wide approach to ESG. Is ESG central to their business strategy? Have they adequately mapped all the climate- and human capital-related risks across their business lines, and are they reporting accurately against those risks? Does the company have the right internal alignment across business lines and functions to efficiently and transparently address ESG risks? Once the SEC rule surfaces, companies in the region should conduct an internal gap analysis between where the company is and where the regulatory bodies are expecting them and their lenders to be. The SEC does not yet have a legislative mandate on ESG from the U.S. Congress, but that is surely coming, so be careful not to dismiss ESG as a fad. ESG is becoming codified in regulation and will surely evolve toward greater transparency, standardization, compliance and enforcement.”

A Silvia M. Garrigo, senior vice president and chief ESG officer at Royal Caribbean Group: “In a global economy, regional distinctions don’t matter when it comes to ESG performance and disclosures. Issues such as workforce health and competence, supply-chain sourcing and climate change and adaptation transcend borders. A company with strong ESG performance, which also measures and discloses how it’s meeting its ESG targets, will maintain access to the global marketplace regardless of its home country. At the same time, ESG plays an integral role in the socioeconomic success of all countries, and the decarbonization of the global economy is a principal 21st century

Continued on page 4

FEATURED Q&A / Continued from page 3

challenge. It will require bold actions and ambitious targets by the business sector and partnerships with governments, NGOs and international organizations across the globe. At the Royal Caribbean Group, we recognize the importance of a strong climate strategy and are already working with partners across and beyond industries to help us meet our goals of establishing science-based targets, delivering a net zero cruise ship by 2035, and achieving net zero emissions by 2050.”

A **Andrea Bonime-Blanc, CEO and founder of GEC Risk Advisory:** “Like many multinational and national companies based in the United States, Europe and Asia, Latin America-based companies would be wise to participate in the ESG tsunami taking over the world. If they don’t, they may risk being left behind on a wide variety of opportunities—both financial and reputational. The financial upsides of proactively pursuing an ESG program tailored to businesses range from gaining a broader customer base (especially among younger generations increasingly involved in decision-making), better debt terms, more favorable equity pricing and cheaper insurance premiums. The reputational upsides are also numerous—ranging from appealing to important stakeholders, developing trust, competitive advantage, greater intangible brand value and protecting against litigation and fines. At this critical juncture in history, it is also imperative for businesses to be considered leaders on environmental, social and/or governance topics of importance to their company and stakeholders. Of course, there are downsides to not becoming ESG-ready or to pretending to be ESG-ready as well. If

you are not ready and cannot demonstrate proper metrics to your stakeholders, your carbon footprint—for example—you may lose business, investors or trust. Likewise, if you claim to be ESG-ready or conscious and you are not, your lies will be discovered in this age of mass and social media and green-washing accusations, and embarrassment,

“**There are downsides to not becoming ESG-ready or to pretending to be ESG-ready...**”

— Andrea Bonime-Blanc

finances and even litigation could follow. The benefits of becoming ESG-ready far outweigh the downsides as the world is experiencing multiple, interconnected and long-term climate, social, geopolitical and cyber crises. Companies that are not paying attention to their environmental and social footprints and aren’t governed in a strategically savvy and risk-aware manner will become the losers in the long term. Latin American company boards and management teams would be wise to proactively and conscientiously start their ESG program journey—beginning with assessing where they are, where they need to be, filling the gaps, hiring the right people and implementing the program. Stakeholders—including governments anywhere you are doing business—are watching and will take notice as regulatory and legal requirements continue to rise around the world.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at ekuleta@thedialogue.org.

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