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FEATURED Q&A

Are ESG Goals Having an Impact in Central America?



The World Economic Forum recently announced a new program to support the implementation of environmental, social and corporate governance principles in Central America. // File Photo: Noah Buscher via Unsplash.com.

Q The World Economic Forum last month announced a new initiative to improve socioeconomic conditions in Central America through support for the implementation of environmental, social and corporate governance, or ESG, principles.

The organization is partnering with local business organizations in Guatemala, El Salvador and Honduras on the initiative. How important are ESG metrics for companies in Central America, and how well are companies in the region implementing them? How much of an impact have such policies already had on people in Central America, and what promise do they hold for the future? How accurate are the metrics by which companies' ESG policies and achievements are evaluated?

A **Andrea Jarquín, director, and Tatiana Reuben, partner, at Dentons:** "In Central America, ESG has become relevant for companies in the financial sector and those sectors that need to transition to a low-carbon economy: energy, transportation, infrastructure, agriculture, food and forest products. Most of these companies are multinationals that are required to follow metrics and sustainability disclosures from other jurisdictions with higher standards such as the United States and entities like the United Nations. The requirements of the U.S. Securities and Exchange Commission and the new IFRS S1 and IFRS S2 standards of the International Sustainability Standards Board enforce new sustainability criteria. This has resulted in a new global financial reporting framework and has increased the relevance of ESG in Central America. At the World Economic Forum, an agreement was reached to apply a set of metrics drawn from existing standards that can be reported

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At Least Two Killed as Powerful Storm Hits Cuba

At least two people were killed in Cuba's Pinar del Río province as Hurricane Ian lashed the island.

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Crédit Agricole Units Settle Sanctions Case With United States

Two subsidiaries of the corporate and investment banking operation of French bank Crédit Agricole have agreed to pay \$1.12 million to settle a case involving alleged sanctions violations related to countries including Cuba.

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POLITICAL

Prosecutor Heading Mexico Missing Students Probe Resigns

Omar Gómez Trejo, the special prosecutor leading Mexico's investigation into the case of the 43 students who vanished in Guerrero state in 2014, resigned on Tuesday.

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Gómez Trejo // File Photo: Mexican Government.

POLITICAL NEWS

At Least Two People Killed as Hurricane Ian Strikes Cuba

At least two people were killed as Hurricane Ian struck Cuba on Tuesday, lashing the island with winds of up to 125 miles an hour and knocking out power to the entire country, The New York Times reported. Both reported fatalities happened in Pinar del Río province in the western tip of the island. A man was killed in the municipality of San Juan y Martínez when he was electrocuted while attempting to disconnect a wind turbine used for irrigating his field, and



Cuban President Miguel Díaz-Canel surveyed damage in Pinar del Río province on Tuesday. // Photo: @DiazCanelB via Twitter.

a woman was killed in the municipality of San Luis when a wall in her house collapsed, the newspaper reported. Videos posted on social media from the coastal town of Coloma, also in Pinar del Río province, showed people inside their homes up to their knees in floodwaters. The storm completely took down Cuba's power grid, the Ministry of Mines and Energy said Tuesday. However, crews had started restoring power to some residents by this morning, The Washington Post reported. The Electrical Union of Cuba said it would take longer to restore power in western Cuba, where the damage was most severe, than in parts of the island that are farther east. "In the western zone, the process is complex because when Ian passed, an important part of the transmission network was damaged, which makes the restoration process more difficult," the union said, The Washington Post reported. Union leader Lázaro Guerra Hernández said later on state television

that restoring power after the hurricane is "a process that is going to take a while." After the storm passed, Cuban President Miguel Díaz-Canel visited the area to survey the damage. "The damages are great, although they have not yet been accounted," he said in a tweet. "Aid is already pouring in from all over the country," he added. Hurricane Ian is expected to make landfall in Florida today in the early afternoon, the Tampa Bay Times reported. It is likely to come ashore between Fort Myers and Sarasota county and is a category 4 storm with winds of up to 155 miles an hour, according to the U.S. National Hurricane Center.

Special Prosecutor Heading Mexico Students Case Quits

The special prosecutor leading the Mexican attorney general's investigation into the case of the 43 college students who disappeared in 2014 in Iguala, in Guerrero state, resigned Tuesday, the Associated Press reported. The resignation of Omar Gómez Trejo came amid disagreements regarding procedures about who should be arrested in the case, the wire service reported. The resignation also raised concerns among family members of the missing students. A government truth commission concluded that 21 arrest orders for suspects, including 16 members of the military, were canceled without explanation, The Washington Post reported. The Miguel Agustín Pro Juárez Human Rights Center, a nongovernmental organization, criticized what it called "rushed accusations and canceled arrest orders" by officials in the attorney general's office, the AP reported. The Inter-American Commission on Human Rights said the unit in charge of the investigation lacked appropriate assistance, including police force and personnel, and expressed concerns over interference with the special prosecutor's work. Growing evidence in the case suggests collusion between drug traffickers, the police and the military. "Justice in Mexico has always seemed out of reach," Steven Dudley, co-director of InSight Crime, told the Advisor in a [Q&A](#) published Sept. 6.

NEWS BRIEFS

Guyana Could See 60% Economic Growth This Year Amid Oil Boom: IMF

Guyana could experience economic growth of nearly 60 percent this year, the International Monetary Fund said Tuesday, as it urged the South American country to exercise caution in its economic policies, Reuters reported. The predicted growth figure comes as the country's oil production is surging, turning it into an emerging oil power. Exporting its oil mostly to Europe, it is expected to take in some \$1.25 billion this year from its portion of oil sales and royalties.

Colombia Tax Plan Still Puts Mining Investment at Risk: Industry Group Head

Colombia's tax reform plan still puts mining-sector investments and production at risk, even after the government proposed changes to the package, the head of Colombia's mining association said Tuesday, Reuters reported. President Gustavo Petro's administration agreed to modify the tax plan by continuing to allow oil and mining companies to deduct royalty payments from their taxes. However, it still plans to raise their income taxes and increase an export tax for oil and coal sold above certain prices. Colombian Mining Association head Juan Camilo Nariño said even with those modifications, miners would face an undue burden.

Mexico Planning to Build Liquefied Natural Gas Plant: President

Mexico is planning to build a liquefied natural gas export hub in the Gulf of Mexico to cater to European gas demands, President Andrés Manuel López Obrador said Tuesday, Reuters reported. "We're about to promote private sector involvement, it's going to be an investment of \$4 billion-\$5 billion," López Obrador said.

"And there was no better metaphor for that than the Ayotzinapa case where a mishmash of government officials and criminals colluded to end the lives of at least 43 students," he added.

BUSINESS NEWS

Crédit Agricole Settles Sanctions Claims With U.S.

Two subsidiaries of the corporate and investment banking operation of French bank Crédit Agricole have agreed to pay the United States more than \$1.12 million in order to settle alleged violations of U.S. sanctions relating to countries including Cuba, the U.S. Treasury's Office of Foreign Assets Control, or OFAC, said Monday in a statement. CA Indosuez Switzerland, an indirect subsidiary of Crédit Agricole Corporate and Investment Bank that specialized in wealth management as well as corporate and investment banking, agreed to remit to the Treasury \$720,528 "to settle its potential civil liability for apparent violations of sanctions" relating to Cuba as well as to Iran, Sudan and Syria in addition to ones involving Ukraine, the Treasury said. The Switzerland-based unit operated U.S. dollar securities and bank accounts on behalf of 17 people located in sanctioned jurisdictions, the Treasury said. The unit also conducted business in U.S. dollars on behalf of those consumers in the U.S. financial system, including through correspondent banks as well as U.S.-registered brokers or securities dealers, the Treasury added. OFAC also announced a settlement with Monaco-based CFM Indosuez Wealth, another indirect subsidiary of Crédit Agricole Corporate and Investment Bank. CFM Indosuez Wealth agreed to remit to the United States \$401,039 in order to settle its "potential civil liability" for apparent sanctions violations involving Cuba, Iran and Syria, the Treasury said, adding that the subsidiary operated accounts on behalf of 11 customers located in sanctioned jurisdictions.

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by all companies. After the meeting, many companies in Guatemala, El Salvador and Honduras have been adopting these metrics to measure their sustainability efforts and demonstrate their performance against ESG indicators. Central American companies are in the process of creating and adopting standards and policies regarding ESG metrics. However, deep metrics are a challenge for many companies. The impact of such policies is difficult to measure because they are in the early stages of adoption. However, more companies are aware of ESG principles based on the demands of their supply chains. One of the most significant impacts is the commitment companies are making to train their suppliers and employees leveraging the use of digital media to do so even in remote areas. To become more competitive, companies need to operationalize their sustainability efforts and embed the company's culture with ESG principles to start having a greater impact. ESG measures are still work in progress in the region, and it is early to anticipate the accuracy of such measures. The metrics can provide comparability, which is important for reporting ongoing sustainability efforts and evolve to adopt the selected set of standards."

A Enrique Crespo, CEO of CMI Capital in Guatemala City: "Events such as social movements, climate crises or the pandemic have required companies to redesign their business models to meet higher sustainability expectations. This context has led to environmental, social and governance (ESG) criteria becoming relevant in the way of doing business, particularly in emerging markets such as Central America. Companies must recognize the importance of having measurable, verifiable and achievable indicators in ESG matters, according to their business, their value proposition and the negative externalities that their operation can generate. This will strengthen the company as a responsible corporate

citizen and will give it the possibilities to access attractive financing such as green bonds, a process that we have successfully promoted at CMI Capital when we placed \$700 million in green bonds. The application of ESG criteria will depend on factors such as the products and services it offers, the size of the company and the countries where it operates. A good principle is to estimate the greatest impact that the company can have on ESG, identifying the effects that the business can have on natural resources, its stakeholders and the economy. Such a diagnosis will allow companies to understand their opportunity areas to structure investment criteria using ESG parameters that let them identify whether all capital investments are consistent with their ESG aspirations. At CMI Capital, we established the sustainable investment criteria with which we evaluated if a project is not only profitable but also makes synergy with our purpose of 'generating impact investments that drive sustainable development.' "

A Devry Boughner Vorwerk, member of the Advisor board and CEO of DevryBV Sustainable Strategies: "ESG is a condition of competition. Companies must commit to pursuing an integrated ESG strategy, and the segmented business must be rewarded beyond short term profit and loss targets; otherwise ESG efforts fail. The WEF deployed a common starting line with metrics focused on people, planet, prosperity and principles of governance. Many Central American businesses that are integrated into the global market are advanced on ESG, but most companies in the region are not. Companies often feel dragged into ESG, while others are open to implementing it but just don't know what that looks like for their business quite yet. Some businesses in Central America are 'ostriches' with their heads buried in the sand and will only advance on ESG through crisis (for example, an investor pulls out of the company or a government

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imposes a substantial penalty for their lack of action). Ostriches beware! ESG policies have an impact on ability to access capital, insurance, top talent and customers. 'Greenwashing' is happening in some instances, which is giving many companies a reason to disregard ESG for fear of retribution from the politicians and regulatory authorities. Yes, compliance and accuracy must improve, and governments need to coalesce around common standards. The key for business in Central America is not to wait for total convergence of standards, but rather to set the intention, goals, discreet metrics, the measurement framework and the compliance/reporting process. ESG can and does unlock new innovation and new revenue streams for Central American businesses."

A **Diana Chavez, executive director of the Private Sector Regional Centre for the Support of U.N. Sustainable Development**

Goals: "Over the last decade, the concept of ESG has gone from the boardroom to the newsroom. Employees, investors and stakeholders are keen to analyze the corporate community's impact on society. At the global scale, ESG is one of the hottest trends in finance, as investors increasingly make

fund decisions based on company-reported ESG metrics. Today, more than 90 percent of S&P 500 companies publish ESG reports. The WEF has published, in coordination with the 'Big Four' accounting firms, guidance on metrics for tracking and disclosing ESG targets. Over the last five years, ESG reporting in Central America has been led by international companies operating in the region. A growing group of local companies, whose operations extend to the U.S. and European markets, have followed suit. While companies are willing to tout their ESG credentials, ESG criteria are limited in scope and focused on the immediate business environment and direct stakeholders. Additional steps must be taken to understand the impact of these policies on the broader community and social license to operate in the region. Global initiatives are not new to Central America. To scale up action on ESG would require transformational change with regard to current policies and corporate governance arrangements. Ownership and accountability frameworks should be established, including accountability for public and non-state actors. This will provide tools to adjust current practices and foster inclusive and long-term resilience programs that improve socioeconomic conditions in Central America."

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Social Impact Investing – Trends in Latin America & the Caribbean Amid Turbulent Times

An Inter-American Dialogue discussion with
Sonal Shah, United Way
Magdalena Coronel, IDB Lab
Paula Giraldo, Deetken Impact Alternative Finance
...and others

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