



**Over the first week of November, global leaders met at Glasgow, Scotland for the United Nations Climate Conference of Parties Edition 26<sup>th</sup> or better known as COP26. The conference focused on climate change and measures taken by governments and civil society to diminish global emissions to close to zero while limiting the rise in temperature to 1.5 degrees Celsius or 2.7 Fahrenheit. Global climate is also part of the sustainable development goals (SDGs) of the UN inequality and poverty reduction 2030 agenda; climate change has become an increasingly important factor among the UN's 17 goals. The following piece will look at the companies we have in our Latin American equities portfolios and the commitment these companies have towards the 2030 agenda.**

The 2030 agenda for sustainable development was established in 2015, and focuses on:

*"...eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. We are committed to achieving sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner."<sup>1</sup>*

In order to achieve this objective, the 2030 Agenda has established 17 goals comprised of 169 targets with 5,488 actions. For example, goal number 10 focuses on reducing inequality and one of its sub targets is: "By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average"<sup>2</sup>. For this purpose, Bogota created the District Care System, a program that looks to diminish the unpaid care work being done in assisting individuals with disabilities. This unpaid work is mainly done by women, and the program's objective is to identify and diminish this share, creating remuneration incentives. The impact on the workload should allow the gender wage gap to shrink, therefore helping to achieve goal number 10.<sup>3</sup>



How do these goals connect to Compass and our investments?

Through the Principles of Responsible Investment (PRI), of which Compass Group is a signatory since 2018, investors and companies incorporate environmental, social and governance (ESG) issues towards creating a sustainable economy. This process identifies and promotes actions among investments and companies to achieve sustainability by referencing the 17 SDGs. We encourage companies in our portfolios to release their goals and achievements towards the 2030 agenda on an annual basis, which provides us and our investors with clear metrics on their impact.

<sup>1</sup> <https://sdgs.un.org/2030agenda>

<sup>2</sup> <https://sdgs.un.org/goals/goal10>.

<sup>3</sup> <https://sustainabledevelopment.un.org/partnership/?p=36711>

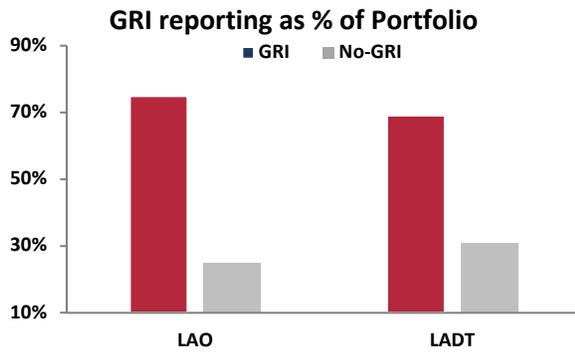
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December 2021

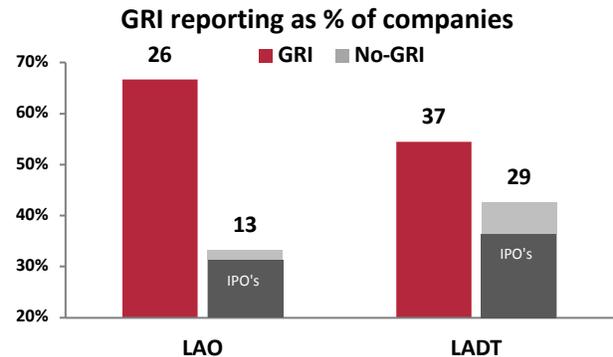


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Many of the companies we invest in are signatories of GRI (Global Reporting Initiative), with 70% of our Latin American equities portfolios by position weight already adopted this reporting mechanism. Of the remaining 30% that are not reporting, half of the companies have done their Initial Public Offering (IPO) over the last 12 months and are expected to release their first sustainability report in 2022.<sup>4</sup>



Source: Compass

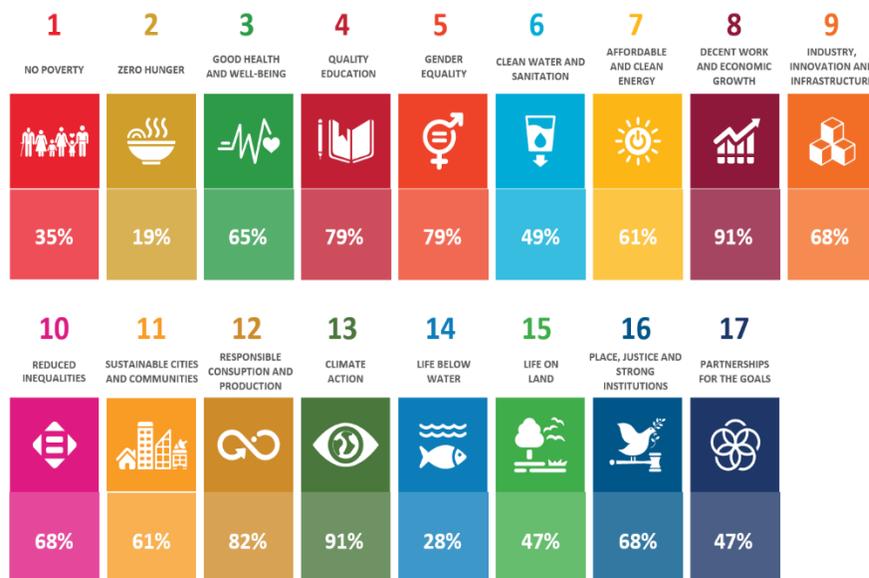


When we look at the number of companies in our portfolios, the picture appears even better as 85% of our companies are reporting or have committed to report over the next 12 months.

Focusing on the commitment of our invested companies in relation to SDG's, the average company in our portfolios have clear commitments for at least 12 out of the 17 SDG goals. In addition, 79% of our companies have clear plans towards achieving quality of education and gender equality, which are crucial towards the development and growth of our countries.

## SUSTAINABLE DEVELOPMENT GOALS

\*PERCENTAGE OF PORTFOLIO COMPANIES THAT ALIGN WITH EACH SDG (% AS # OF COMPANIES/TOTAL # OF COMPANIES)



<sup>4</sup> LAO: Latin American Opportunities is an all cap equity strategy; LADT: Latin American Domestic Themes is a small and mid-cap equity strategy.

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Another important goal is climate action and commitment to the use of clean and affordable energy, all of which rank high on the list of SDGs among our portfolio. This is a further affirmation that Latin America is fully committed to combat global warming and achieve the COP26 objectives. Lastly, 91% of companies in our portfolios are committed to establishing decent working conditions for their employees and contributing towards the achievement of high economic growth in their local economies. Companies in the region understand their role as agents of change and contribute towards the enrichment and development of local populations.

Latin American companies have important sustainable projects that are aligned with ESG issues, SDG's and more broadly the 2030 agenda. Our companies have incorporated diverse programs and action plans to deliver better life conditions for the population, while preserving the environment for future generations. While the region has gotten a lot of press coverage surrounding emissions due to specific factors such as the Amazon fires, this is not Latin America's biggest challenge as we highlighted in our previous piece *Biden and Latin America*<sup>5</sup>.

Inequality, corruption and inadequate education can be identified among the top barriers towards social and economic development. While governments are the main actors responsible for improving conditions towards the elimination of these problems, companies also play a key role. Below, we touch upon several actions taken by our companies to promote a better future across the region.



Going through the three pillars of ESG, on the **Environmental** pillar we can highlight the Brazilian ethanol, sugar and energy producer *Cosan*. The company has a long tradition in the sugar industry, active since its foundation in 1936. Brazil has a long tradition of fossil fuels replacement with ethanol which is considered a renewable energy. *Cosan* has been an active player in this field since 2010 and has committed to climate action under goal 13 to start a net-zero emission plan of greenhouse gases in 2021 and partially attain this objective by 2025<sup>6</sup>.



In the **Social** pillar, *Hortifrut*, a company with focus on the production and global distribution of berries. Originally founded in Chile in 1983, it has expanded across the region and now counts with production centers in Chile, Peru, Mexico, Colombia, Spain, U.S., China and Brazil. Its social support has been instrumental in bridging the gap between technology and education at the local communities where it produces berries. With a program that donates tablets with internet access to schools, it amplifies the educational experience by providing additional learning tools and promoting computational knowledge. This program is an important pillar towards helping with SDG goal 4 that seeks to promote quality education<sup>7</sup>.



Finally, on the **Governance** pillar, we can highlight *Grupo Traxion*, a Mexican logistic and ground transportation company founded in 1952. The company has a code of ethics with a special chapter on anti-corruption practices that is distributed and taught among all employees. Corruption is a big barrier towards development as it is positively correlated with higher inequality and weaker institutions. Therefore, educating the workforce towards a transparent and law-abiding practices is crucial to obtaining goal 16: Peace, Justice and strong institutions<sup>8</sup>.

<sup>5</sup> Biden and LatAm: New President, New Vision

<sup>6</sup> <https://sdgs.un.org/goals/goal13>

<sup>7</sup> <https://sdgs.un.org/goals/goal4>

<sup>8</sup> <https://sdgs.un.org/goals/goal16>

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The companies in our Latin American equities portfolios, as it has been showed above, have integrated SDG and ESG issues as an integral part of their business philosophy. This can be seen through GRI reporting, a crucial tool for our analyst to track and promote the advancement of these goals on a day-to-day basis. We understand that these activities do not hurt profitability; on the contrary, these best ESG practices strengthen the societies in which our companies act and create important externalities for Latin America. As part of our commitment to PRI we will continue to ask companies to adhere to GRI while also promoting SDGs into their action plans.

Compass is in a unique position to select the best investments and deliver results due to our 25 years of experience, robust boots-on-the-ground research platform, and extensive regional footprint in the six major countries in Latin America<sup>9</sup>. Our proximity to companies, exemplified by more than 2,000 meetings held over the last twelve months, gives us an edge as we construct long term symbiotic relationships with diverse management teams and boards. We are highly committed to ESG values and practices across our investment processes and strive to become a reference for global investors who wish to take advantage of what the region has to offer.

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<sup>9</sup> Affiliates in Argentina, Brazil, Chile, Colombia, Peru and Mexico

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