Background note

Duties and responsibilities of boards of directors for sustainability-related disclosures in Argentina, Brazil, Chile, Colombia and Mexico: Regulatory frameworks and market practices

2025 OECD-Latin America Roundtable on Corporate Governance

This background note served as one of the references to session 4 of the 2025 meeting of the OECD Latin America Roundtable on Corporate Governance on 6-7 October in Santiago, Chile. It will be subject to discussions during the session and may be amended accordingly. The note was authored by Mike Lubrano, with the support of IDB Invest.

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1 Introduction

Subprinciple VI.C of the G20/OECD Principles of Corporate Governance states that “[t]he corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure [emphasis added], strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.” Defining and carrying out the board’s role and responsibilities around sustainability disclosure are not straightforward tasks, especially considering that regulations, accounting and disclosure standards and investor expectations related to sustainability are quickly evolving.

The author conducted a desk review of relevant published materials and interviewed board members, regulators, stock exchange staff, consultants and other experts from five major Latin American markets (Argentina, Brazil, Chile, Colombia and Mexico). The paper begins with a discussion of the sources of board duties and responsibilities for sustainability-related disclosure and looks at the extent and nature of sustainability consciousness and sustainability-related disclosure among Latin American listed companies. Reflecting feedback from the interviews with board members and experts, the paper emphasises the potential impact of the definition of materiality on boards’ behaviours around sustainability disclosure.

The last part of the paper discusses factors that the interviewed board members and experts suggest may currently be responsible for encouraging and discouraging boards in the five jurisdictions from engaging more actively in overseeing sustainability disclosure policy and practices in listed companies. It is hoped that policymakers, regulators, boards, investors and other market participants will find these perspectives useful inputs into their strategies for improving board performance around sustainability disclosure.

The regulatory frameworks and market practices of the five jurisdictions relevant to the responsibility of boards in reviewing, monitoring and guiding sustainability-related disclosures are summarised in the Annex. While the regulatory frameworks discussed in this paper are primarily applicable to listed companies, the practices of listed companies serve as important benchmarks for privately held firms as well.

2 Sources of boards' duties and responsibilities

The duties and responsibilities of the board of directors for sustainability-related disclosure can be usefully viewed through three lenses:

- Fiduciary duty. The overarching fiduciary duties of directors to act in the best interest of the company (loyalty) and to exercise diligence and prudence (care) in furthering the achievement of the company's objectives;
- Compliance. Corporate disclosure obligations under applicable company, securities and other legal/regulatory regimes, especially those that make specific reference to board responsibility for ensuring compliance with such obligations, as well as obligations undertaken in connection with sustainability-linked financing; and
- Investor and stakeholder expectations. Evolving expectations of shareholders, investors and other stakeholders with respect to corporate transparency.

Fiduciary duty

The duties of loyalty and care have long been recognised in the company laws of all five jurisdictions discussed in this paper. Key among the practical responsibilities of directors in fulfilment of their fiduciary duties is to ensure that the company has in place a comprehensive and robust approach to risk, including sustainability (environmental and social) risks that are material to the company's successful achievement of its objectives. The main elements of this responsibility, outlined in the G20/OECD Principles, are today established law or regulation in virtually every jurisdiction and underlined by the International Corporate Governance Network (ICGN)'s Global Governance Principle 6: "The board should proactively oversee the assessment and *disclosure* [emphasis added] of the company's key risks and approve the approach to risk management and internal controls regularly or with any significant business change and satisfy itself that the approach is functioning effectively."

In general terms, Chile, Colombia and Mexico follow the so-called "shareholder primacy" construction of fiduciary duties of directors. In these jurisdictions, directors owe their fiduciary duties primarily to shareholders, either directly or derivatively through their fiduciary duties to the company. As such, board members are obliged to consider principally the financial interests of equity investors in their deliberations and decision-making around sustainability-related disclosure. Directors in such jurisdictions must also concern themselves with compliance with applicable corporate disclosure laws and regulations. They may take into account the interests and expectations of non-shareholder stakeholders, but their fiduciary duties require them to do so in the ultimate interests of maximising long-term shareholder value (OECD, 2023[1]). An oft-cited statutory law example of the inclusion of sustainability factors within the ambit of director fiduciary duties is Section 172 of the UK Companies Act, which specifically references the duty of directors to accord due regard to the interests of employees, relations with suppliers and consumers and the company's impact on communities and the environment in promoting the success of the company (UK, 2006[2]).

Argentine company law, judicial interpretation and legal commentary do not allow for its legal regime for directors' fiduciary duties to be clearly classified under the shareholder primacy rubric (OECD, 2023[1]). In contrast to Chile, Colombia and Mexico (and as will be discussed in the Annex), Brazil's company law (and constitutional) regime explicitly requires directors to consider the interests of stakeholders beyond shareholders and the social and environmental impact of the company's activities.

Compliance

The board's central role in overseeing risk management and its responsibility to ensure accurate and timely disclosure of factors that are material to the company's operations and prospects is enshrined in the securities laws of virtually all jurisdictions, including those discussed in this paper. Chapter IV of the G20/OECD Principle of Corporate Governance reflects this consensus when it states that "[t]he corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, *sustainability* [emphasis added], ownership, and governance of the company."

The current legal/regulatory frameworks for mandatory and voluntary sustainability-related disclosure in Argentina, Brazil, Chile, Colombia and Mexico are summarised in the Annex. Most laws and regulations around sustainability-related disclosure in these jurisdictions are, by their terms, imposed on the company, rather than with specific reference to the board of directors. Nonetheless, even without specific reference, such laws and regulations clearly imply duties and responsibilities for boards. In all jurisdictions, the fiduciary duties of directors of listed companies extend to exercising care/due diligence to ensure compliance with applicable laws and regulations, including binding corporate disclosure requirements.

In all five jurisdictions, boards are understood to bear direct responsibility for overseeing the soundness of their companies' finances. This generally requires that boards review and approve the terms of material financial obligations and oversee the company's compliance with its commitments thereunder. In recent years, a significant number of listed and unlisted Latin American companies have issued sustainable bonds in local and international capital markets (OECD, forthcoming[3]). Under the terms of the indentures for these financial instruments, issuers are obliged to meet and disclose their compliance with agreed environmental or social performance standards and targets. Similarly, a large number of privately-held companies in all five markets discussed in this paper have legally committed to achieving environmental or social performance criteria under the terms of their agreements with development finance institutions (DFIs) and like-minded private sources of debt and equity financing.

Investor and stakeholder expectations

The 2023 revision of the G20/OECD Principles of Corporate Governance introduced for the first time a dedicated Chapter VI on "Sustainability and Resilience". The inclusion of the new chapter reflects a growing international consensus among investors that integration of sustainability factors into corporate value creation is no longer optional, if it ever was. Sustainability factors are plainly linked to risk management, access to capital, and long-term competitiveness of commercial enterprises. Reflecting this recognition, boards of directors are expected by investors and other stakeholders to ensure that their companies not only identify and manage material sustainability factors that present risks to their firms' strategies and operations but also disclose material sustainability risks and opportunities accurately and in a timely fashion. Asset managers overwhelmingly support mandatory sustainability disclosure for Latin American companies and have strong preferences for disclosures in accordance with globally recognised reporting frameworks and standards (OECD, 2023[1]).

Recognising the central role of the board and the importance of sustainability-related disclosure as “essential to ensure the efficiency of capital markets”, Subprinciple VI.C states that “[t]he corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure, strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.”

The ICGN’s Global Governance Principles emphasise integrated reporting to contextualise historical performance while analysing risks, opportunities, and prospects. ICGN Global Governance Principle 7 on corporate reporting states that “Boards should oversee timely and reliable company disclosures for shareholders and relevant stakeholders relating to the company’s financial position, approach to *sustainability* [emphasis added], performance, business model, strategy, and long-term prospects.”

Like the G20/OECD Principles, the ICGN Principles squarely place ultimate responsibility for the content, accuracy and completeness of sustainability-related disclosure squarely on the board. Subprinciple 7.4 (Sustainability reports) provides that “[t]he board should provide sustainability reporting to reflect the complexities inherent in a contemporary business by blending financial, human and natural capital considerations in the context of a company’s current and future strategic direction. Sustainability reporting should support and enhance the information in the financial statements and help investors to form an assessment of the company’s position, performance and long-term prospects.” This subprinciple goes on to emphasise the importance of integrated reporting, which should link sustainability with “the company’s purpose, business model, strategy and associated risks and opportunities.” The ICGN Principles also endorse the application of recognised external sustainability disclosure standards and the potential value of independent assurance.

The actual sensitivity of listed companies to investor expectations varies significantly across companies in the five markets, according to those interviewed for this paper. In general, growth companies that have a continuous need for new capital tend to be more responsive to investor expectations around sustainability disclosure than more mature “cash cows”. There also seems to be more responsiveness to non-financial stakeholder demand for greater transparency among companies for whom their brands are an important asset (as in retail and consumer goods) and those with large social and environmental footprints (including natural resources, energy and basic materials enterprises).

Box 1. Recognised reporting frameworks and standards

To the extent that listed companies in the five markets discussed in this paper currently disclose meaningful sustainability-related information, they do so overwhelmingly with reference to recognised frameworks and standards that have been developed mostly over the past two decades. As any regular reader of annual reports will confirm, corporate reporting is noticeably path dependent. The jurisdictions that have recently mandated sustainability disclosure in accordance with International Financial Reporting Standards (IFRS) S1 and S2 have typically done so on a non-exclusive basis. As in jurisdictions (like Argentina and Colombia) that have not signalled their intention to adopt them, it is likely that the structure and content of sustainability reporting developed applying such frameworks and standards will continue to have an important impact on future reporting patterns.

Among the most widely adopted frameworks, the **Global Reporting Initiative (GRI**) maintains relevance through its multi-stakeholder focus and double materiality approach, complementing the more investor-focused Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and IFRS standards. The revised universal standards effective January 2023 enhanced requirements for impact-based reporting and stakeholder engagement.

Although its general standards are now subsumed into IFRS S1, the **SASB's** sector-specific standards continue to provide industry-specific metrics that many companies globally and in Latin America have applied for years and that regulators have incorporated into disclosure requirements. Importantly, SASB's Materiality Finder remains a valued reference for companies and stakeholders for identifying financially-material sustainability issues and disclosure topics on an industry-by-industry basis (SASB, 2025[4]).

The <IR> Framework, first published by the International Integrated Reporting Council in 2013 and now fully part of IFRS, is intended to accelerate the movement away from siloised sustainability reports toward integrated reporting that presents the company's approach to sustainability in the context of its value proposition and its use and impact on financial, manufactured, intellectual, human, social and relationship, and natural capital. One of its goals is to help boards fully engage in "integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term" (IFRS, 2025[5]).

While the **TCFD** officially disbanded in October 2023 after its recommendations were fully incorporated into IFRS S2 (discussed below), its four-pillar framework (governance, strategy, risk management, and metrics and targets) continues to shape climate disclosure patterns globally. The first of the pillars identifies the board as ultimately responsible for the scope and quality of climate disclosure. True to its name, TCFD's focus is on financial materiality – climate-related factors that have a potentially material direct and measurable impact on financial results. The final TCFD status report detailed that 58% of companies disclosed in line with at least five of TCFD's eleven recommendations, up from 18% in 2020 (TCFD, 2023[6]).

The ambition of the **International Sustainability Standards Board (ISSB)** standards, effective January 1, 2024, is to provide a recognized global baseline for sustainability disclosure. IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) establishes general requirements for disclosing sustainability-related financial information, while IFRS S2 (Climate-related Disclosures) lays out specific climate-related disclosure requirements. These standards now incorporate the principles, frameworks and standards previously developed by the International Integrated Reporting Council (IIRC), SASB, and the TCFD.

Consistent with these earlier sustainability-related disclosure standards and frameworks, IFRS S1 and S2 recognise the necessity of direct board responsibility for the elaboration, accuracy and completeness of sustainability disclosure. Board-specific requirements include:

- Strategic Oversight: Boards must disclose their role in strategic planning for sustainability.
- Risk Management Supervision: Clear articulation of board involvement in risk assessment and management.
- Target Setting and Monitoring: Board oversight of sustainability metrics and targets.

IFRS S1 and S2 are intended to be fully auditable. The International Auditing and Assurance Standards Board (IAASB) issued in November 2024 the International Standard on Sustainability Assurance (ISSA 5000), building on the experience of the audit industry with assurance of SASB and GRI-based disclosure (Board, 2024[7]). Importantly, in July 2023, the International Organization of Securities Commissions (IOSCO), representing the securities regulators of 95% of global markets, endorsed IFRS S1 and S2, signalling widespread adoption momentum (IOSCO, 2023[8]).

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The **Sustainable Development Goals (SDGs)** are 17 interconnected global objectives adopted by the United Nations in 2015 and intended to create a more sustainable and equitable world by 2030. The SDGs address pressing worldwide and interconnected challenges, including poverty, hunger, education, healthcare, gender inequality, the environment, climate change, human rights and work conditions. The SDGs were not explicitly intended to serve as a corporate reporting framework and they do not prescribe standardized metrics. However, their widespread recognition as stakeholder aspirations and their rational organisational structure have encouraged many companies to present sustainability disclosures along SDG lines.

Stock exchanges have also contributed to the development of sustainability disclosure practices through various guidance documents and listing requirements. Key among these is the Model Guidance on Sustainability-Related Financial Disclosures developed under the United Nations Sustainable Stock Exchanges (SSE) initiative (SSE, 2024[9]).

Note: the principal characteristics and the materiality standards of the standards and frameworks discussed in this section are summarized in Dallas and Lubrano, Governance, Stewardship and Sustainability (2nd Edition, Routledge, 2023) Chapter 4, pp. 70-82.

3 Boards' sustainability consciousness and sustainability disclosure

Data clearly indicates increasing consciousness of the importance of sustainability matters among boards of directors in Latin America. Forty-four percent of Latin American companies by market capitalisation had a board-level sustainability or similar committee in 2023 (OECD, 2023[1]). The presence of such a committee probably understates board involvement in sustainability-related matters, as responsibility for such matters can be assigned to one or more other board committees or seen as the responsibility of the full board (see Box 2). Indeed, by all accounts at least some sustainability matters are included in the annual calendars and meeting agendas of an overwhelming percentage of Latin American boards.

At the same time that the consolidation of standards is making sustainability disclosure more practical and comparable, developments in other areas are creating additional impetus for expanding the scope and improving the quality of sustainability disclosures. All the countries discussed in this paper are signatories of the Paris Agreement, have established nationally determined contributions and are coming to grips with how to meet them. Some are endeavouring to develop meaningful sustainable bond markets. To a greater or lesser extent, national social and environmental commitments and objectives have translated into intensified public attention to corporate behaviour around these topics, and sometimes also disclosure expectations. Indeed, it is probably not a stretch to suppose that most directors' consciousness of sustainability governance and disclosure is driven more by public expectations and corporate image concerns than by their awareness of their general fiduciary duties and specific regulatory requirements.

Globalisation of capital markets also significantly impacts sustainability-related disclosure practices in Latin America. Cross-border direct and portfolio investment is an important source of capital for the region, including investment from Europe where the regulatory framework for sustainability and climate disclosure is most developed. Foreign-owned and controlled companies play important roles in all five markets discussed in this paper. A significant number of companies in the five markets discussed in this paper have placed their shares and issued bonds in the US and European markets. Latin America is also home to global companies like Cemex, Argos, Vale and others whose extensive operations in other markets, including the US and Europe, bring them under foreign sustainability disclosure regimes. Accordingly, patterns of regulation and practice in the region are affected by the regulatory frameworks and practices outside the home markets of such companies. For example, subsidiaries and companies that are part of global supply chains may find it necessary or desirable to take into account the requirements of their parent companies and foreign customers in defining materiality and determining what frameworks and standards to report under.

The OECD report Sustainability Policies and Practices for Corporate Governance in Latin America and the OECD Corporate Governance Factbook 2023 indicate considerable advances in sustainability disclosure in Latin America in recent years, especially among large listed firms:

- Companies representing 83% of the region's market capitalisation disclose sustainability information.
- Three-fifths of companies by market capitalisation engage a third party to provide assurance of at least some of their sustainability-related disclosures.
- Most disclosure is made with reference to one or more internationally-recognised reporting frameworks and standards, with GRI and SASB the most-frequently applied.
- Fifty-eight percent of Latin American listed companies disclose GHG emissions targets (OECD, 2023[1]).

Latin America lags behind Europe and the United States in the extent of sustainability reporting by listed companies, but is ahead of China and Asia excluding China and Japan (OECD, 2023[10]). Importantly, this information predates the formation of the ISSB, the issuance of IFRS standards S1 and S2 and the announcements of their eventual adoption by Brazil, Chile and Mexico.

However, the above-cited data are unlikely to be reliable indicators of the extent of actual engagement of boards in the disclosure of sustainability-related matters in the five markets discussed in this paper. It is one thing for a board to be aware of sustainability factors in the context of business strategy and risk and something different for it to feel competent and obligated to involve itself in overseeing the scope and quality of sustainability-related disclosure. The absence of direct evidence of the degree and quality of board engagement around sustainability disclosure is a key limitation of this paper. One of the principal takeaways of Sandra Guerra's book, The Black Box of Governance, is that there are inescapable limitations to what those outside the "Black Box" can be confident they know about the extent and quality of board engagement on any topic (Guerra, 2021[11]). Indeed, the anecdotal evidence collected for this paper and discussed in Section 5 indicates a divergence between the extent of board engagement around sustainability in operations, on the one hand, and with respect to disclosure processes and content, on the other.

Box 2. Organising the board's sustainability responsibilities

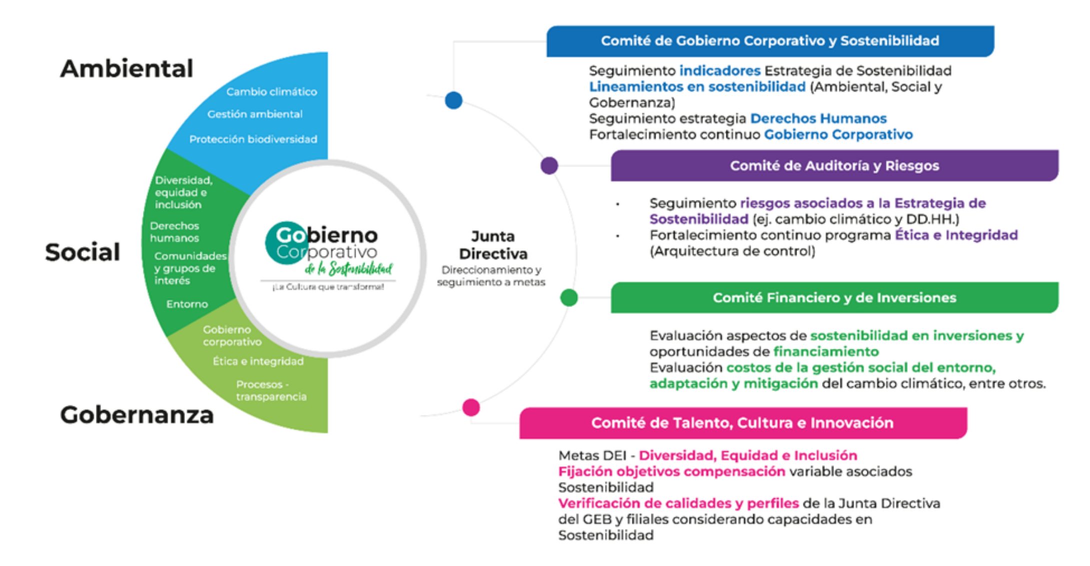
Legal or regulatory frameworks, including those of the jurisdictions discussed in this paper, generally accord boards of directors substantial leeway in how responsibilities around sustainability (including oversight of sustainability-related disclosure) are assigned within the board. A notable exception is the Central Bank of Brazil's requirement that boards of Brazilian banks appoint at least one director responsible for ensuring compliance with the bank's Social, Environmental and Climate Responsibility Policy (see Annex). Even in cases where a sustainability or ESG committee of the board is mandated or expected in practice, there is typically no requirement or even necessarily the expectation that sustainability-related disclosure will be the exclusive remit of such committee. The following table summarises six common models and some of their relative advantages and disadvantages (for an alternative typology of board-level structures for the oversight of sustainability-related matter, see (Rasche, 2024[12]):

	Model	Advantages	Disadvantages
1	**Fully integrated** into all board operations and decision-making	• Public commitment • Permanent boardroom presence • Rich multi-dimensional perspective	• Limits participation of non-board members • Needs constant attention • Allows little time for deep dives • Sustainability eventually becomes implicit
2	**Dedicated committee**	• Communicates strong board commitment • Speeds up the process • Allows for thorough deliberations • Enables executive participation • Lowers risk of sustainability becoming deprioritized	• Could backfire if action is not taken quickly • Can be complex to set up and administer • Requires coordination, cooperation and alignment • Provides an excuse for some board members not to engage (missing full board perspective) • May increase the size of the full board
3	**Added to an existing committee's** responsibilities	• Relatively easy to set up • Members already have specialist expertise in an area impacted by sustainability	• May send the message that the board as a whole doesn't care • Risks becoming a side topic • Makes less of a statement • May lead to an overly narrow focus

	Model	Advantages	Disadvantages
4	**Multiple-committee responsibility**	• Brings E&S into the context of key aspects of governance and the business • Requires all members of relevant committees to consider specific angles of sustainability	• May send the message that the board as a whole doesn't care • Feeds potentially fragmented and patchy treatment of E&S • Complex to administer, schedule and coordinate • May require more than one board member to attend E&S calls with investors
5	One director assigned the role of ESG **board champion**	• Easy and quick to implement if there's a good candidate already on the board • An excellent way to explore longer term options for redesigning E&S governance • Natural bridge between the board and sustainability managers	• Tricky and slow to implement if an outsider has to be found and onboarded • Could be construed as greenwashing (by those outside) or as a "Trojan Horse" (by those inside) • One person will always be a mathematical minority • Doesn't work if the champion is a "weaker" board E&S
6	**Not formally embedded**	-	• Sustainability is neglected and directors fail to develop their ESG expertise

Source: (Soonieus, 2022[13])

The following diagram illustrates the multi-disciplinary nature of sustainability and how responsibility for different elements of sustainability can be allocated across board committees (Grupo Energia Bogotá, 2025[14]).



Source: (Grupo Energia Bogotá, 2025[14])

4 The threshold question for the board - materiality

In principle, the board's role and responsibilities for sustainability disclosure should parallel those for other areas of risk management and risk disclosure. Effective oversight of a company's sustainability disclosure by the board would therefore require that the board be able to answer four key questions:

1. **What should be disclosed?** What sustainability risks or opportunities are sufficiently material that they must be disclosed? What other information is specifically required by law and regulation to be disclosed?
2. **How should disclosed information be presented?** What reporting frameworks and standards best suit the company's approach to sustainability and its audience?
3. **When should information be disclosed?** When are sustainability-related events material enough to merit disclosure outside the usual reporting cycle?
4. **How can the board satisfy itself that the disclosed sustainability information is accurate and complete?** How robust are the company's sustainability-related information collection processes, controls and assurance?

This paper focuses on the board's duties and responsibilities around the first question. Major disclosure frameworks and standards are summarised in Box 1 and are discussed in the context of the individual jurisdictions in the Annex to this paper. The technicalities of material event disclosure and the intricacies of the collection of sustainability-related information and related controls are well beyond this paper's scope and its author's expertise.

Most, if not all the board members and experts interviewed for this paper called attention to uncertainty and disagreement around the question of materiality as a fundamental obstacle to boards taking a more proactive role in sustainability disclosure. As explained in Box 1, current reporting frameworks apply different definitions of materiality, which can be usefully broken down as follows:

- **Financial materiality** (single materiality) focuses on sustainability issues that could reasonably be expected to have a material impact on financial performance, access to finance or cost of capital.
- **Impact materiality** applies a multi-stakeholder lens and considers the effects of the company's activities on society, the environment and the economy, independently of whether these may be relevant to the company's financial performance and value.
- **Double materiality** combines financial and impact materiality, emphasising the interconnection of the two over time.
- **Dynamic materiality** recognises that financial and impact materiality are not static and emphasises the value of continuous monitoring of stakeholder interests and expectations to identify shifting risks and opportunities.

The G20/OECD Principles of Corporate Governance are directed first and foremost to policy makers, including specifically securities regulators. Subprinciple VI.A.1. states that "[s]ustainability-related information could be considered material if it can reasonably be expected to influence an investor's assessment of a company's value, investment or voting decisions." Financial materiality most directly aligns with the general securities law definitions of materiality and director fiduciary duties under the legal regimes of the jurisdictions discussed in this paper, focusing as it does on measurable impact on the foreseeable financial performance and value of the company.

Board members of listed companies in the jurisdictions discussed in this paper, as elsewhere, are likely to be most comfortable with the financial materiality formulation as it accords with the general securities law framework. According to many of those interviewed for this paper, boards in the five countries discussed in this paper are frequently first and foremost concerned with ensuring that the disclosure of the company is in compliance with securities law and regulation. In addition, most board members identify their role principally, if not entirely, as guardians of the financial value of the company. Again, this encourages them to favour a narrow financial materiality approach to sustainability disclosure.

However, a preference for a narrow focus on financial materiality runs up against obstacles that create significant tensions for Latin American boards:

- In most listed companies, management has gotten out ahead of the board and set precedents that the board cannot easily reverse. While IFRS S1 and S2 (like SASB and TCFD before them) applies a fundamentally financial definition of materiality, many companies and especially those in environmentally and socially sensitive sectors have for some time disclosed in line with the GRI framework and standards, organised all or part of their reporting around the SDGs or otherwise made sustainability-related information available that would probably not fall within a strict financial definition of materiality.
- Natural resources, energy and basic materials companies play dominant roles in the economies and stock markets of the five jurisdictions discussed in this paper. They and other companies operate in environmentally and socially sensitive geographic zones (such as the Amazon in Brazil and the Paramos in Colombia). Because of the impact of their activities on people and planet, such firms are exposed to pressures from interest groups, political forces and the public to be ever more transparent about the environmental and social impact of their activities. The managements of many of these companies have gradually broadened the scope of their environmental and social disclosure in response.
- Latin American companies have placed equity and debt instruments abroad, sometimes bringing them within the disclosure regimes of markets where the regulatory or market expectation definitions of materiality around sustainability disclosure are broader than under the domestic regime.
- Many listed companies in the jurisdictions discussed in this paper have significant operations in product markets outside the region and/or are active in global supply chains. Such activities expose them to regulation and expectations in other markets that may demand broader disclosure than is specifically required under domestic regulation or that would seem necessary under a strict financial definition of materiality.

Important foreign institutional investors with exposure to the securities markets discussed in this paper take a more double or dynamic approach to materiality. The ICGN entertains a rather broad materiality definition: "Sustainability disclosures should focus on materially relevant factors, with many environmental and social factors being sector specific, linked to the company's management of its natural and human capital. Where possible, sustainability related reporting should also seek to address "double materiality", for reporting on the company's external impacts on society and the environment, as well as internal impacts on the company's own financial performance. Moreover, boards should build an awareness of "dynamic materiality", recognising that materiality evolves over time alongside factors including emerging technology, product innovation and regulatory developments" (ICGN, 2021[15]).

Several of the directors and experts interviewed for this paper suspect that discomfort with moving beyond financial materiality in the context of the factors just outlined discourages directors from getting involved in the sustainability disclosure process at all. Busy board members who lack direct expertise and experience in sustainability matters may be reluctant to engage in an exercise where the standard they are expected to apply (financial materiality) is different from what they are used to and view as appropriate to their role.

Box 3. Priorities for board engagement around sustainability disclosure

The discussion of board duties and responsibilities in Sections 2, 3 and 4 suggests the following as important steps to achieving active and effective board-level engagement around sustainability disclosure in the five countries discussed in this paper:

- **Begin with financial materiality.** Understand and apply IFRS S1/S2 or other applicable financial materiality standards/frameworks as a foundation. But remain sensitive to double and dynamic materiality concerns.
- **Actively oversee the materiality process.** Approve the methodology, thresholds, and updates as conditions evolve.
- **Assign clear intra-board responsibility.** Formalise in detail where board-level leadership rests around sustainability, sustainability disclosure, assurance and controls, whether in a single committee, among multiple committees or otherwise.
- **Include financing covenants.** Ensure sustainability disclosure covers and is consistent with obligations under sustainable bonds, loans, and DFI agreements.
- **Map cross-border exposure.** Identify and anticipate disclosure demands arising from cross-listings, foreign investors, and value-chain partners.
- **Ensure consistency with strategy.**

These elements can serve as a foundation for boards to interpret their duties in light of evolving regulations and investor expectations and serve as reference points for more effective board oversight and influence over the sustainability disclosure process.

5 Forces for and against greater board engagement around sustainability disclosure

The directors and experts interviewed for this paper were more bearish than bullish about the prospects for boards in the five jurisdictions covered by this paper to take a more expansive view of their duties and responsibilities for sustainability-related disclosure. That said, the directors and experts interviewed collectively cited a number of current factors that they believe to a greater or lesser extent may encourage boards to become more engaged on the topic. The most cited of these include:

- ISSB's single materiality approach. As noted in Box 1, IFRS S1 and S2 apply a fundamentally single materiality approach focused on financial impact. In Brazil, Chile and Mexico, where reporting in accordance with S1 and S2 is becoming mandatory, and in companies in Argentina and Colombia that voluntarily adopt such standards, the intra-company dialogue around sustainability reporting is likely to begin to revolve around the impact of environmental and social factors on company performance and value more than it has in the past. As discussed in Section 4, financially material risks is a territory that Latin American boards are likely to feel more comfortable navigating. Given the historic focus of boards in the five jurisdictions discussed in this paper on compliance, the fact that their companies' sustainability reporting is required to follow formally recognised accounting and auditing standards may prompt more directors to educate themselves on the standards and advocate for more active engagement of the board in oversight of the sustainability reporting process.
- Sustainable finance. As noted in the Annex, there has been a significant amount of sustainable bonds issued by Mexican companies in recent years. Brazilian companies have also been active in the green bond market and Argentina's capital markets regulator is actively promoting the development of a sustainable bond market. Colombia was the first market in the region to develop biodiversity bonds and "blue" bonds have also been launched by Colombian financial institutions (BBVA Colombia, 2023[16]; BBVA Colombia, 2024[17]). According to one director interviewed for this paper, investment banks in Mexico promote sustainable bonds as potentially offering a 50 basis point reduction in annual interest. The KPIs and targets that issuers commit to achieve and disclose under the indentures for such bonds are generally vetted by the board. In the words of one director interviewed for this paper, "Before our company issued the green bonds, we didn't look at sustainability metrics, KPIs or disclosure at the board. Now we feel an obligation to ensure we remain in compliance."

- Development Finance Institutions (DFIs). Listed and privately-held companies that receive financing from multilateral and bilateral development banks such as IDB Invest , CAF, IFC, and the European Development Finance Institutions require investee companies to commit to environmental and social standards and, with increasing frequency, to achieve and disclose sustainability KPIs and targets. Similar to the case of sustainable bonds, consideration and approval of the sustainability-related covenants of DFI financing agreements may serve as an entry point for more active board engagement around sustainability-related goals and disclosure. Moreover, in the case of equity investments, DFI nominee directors are expected by their institutions to bring a sustainability orientation into board deliberations. Such directors also typically have access to the sustainability teams of the DFIs that nominate them.
- Assurance; materiality assessment. The requirement to seek third party assurance of sustainability-related disclosure in the jurisdictions that have adopted IFRS S1 and S2 (Brazil, Chile and Mexico) may serve as another point of entry for greater board engagement around sustainability disclosure. For practical reasons, the same firms that audit firms' financial statements have typically been selected (usually by management) to provide assurance of sustainability-related disclosures. This trend can be expected to continue. The already established pattern of board oversight of the external audit (through the audit committee) with its concomitant dialogue between the board and the company's financial auditors may gradually spill over to engagement around the latter's assurance of sustainability-related disclosure.
- High-profile scandals. The fallout from environmental disasters, lethal work accidents and corruption probes involving some of the most high-profile companies in the region, while unfortunate, has focused the attention of at least some board members of listed and unlisted companies alike on the potential reputational, operational and financial risks of insufficient attention to sustainability-related matters. The Brumadinho dam collapse tragedy contributed to Vale's early adoption of S1 and S2 and may have accelerated its adoption by other firms amid board concern to differentiate their firms' sustainability practices.
- Sensitive industries. Some of those interviewed for this paper emphasised that for certain industries sustainability issues are undeniably inseparable from strategy. For example, changes in climatic patterns have an immediate impact on both the supply of and demand for electrical power and expose production and transmission assets to physical risks. Boards of such companies can be expected to identify responsibility for sustainability disclosure as an integral part of the board's role in overseeing the formulation and execution of the company's strategy and risk management policies and practices.
- Collaborations between finance and sustainability teams. Interviewees for this paper from Brazil and Mexico cited some Latin American companies that have encouraged their finance and sustainability departments to work together on sustainability disclosure and to educate each other on their priorities and approaches to materiality. While these efforts are largely management- rather than board-driven, one board member reported that as part of such efforts the chief of the company's sustainability team now participates in all board meetings.
- Educational efforts. Most of those interviewed for this paper observed an insufficient degree of knowledge and experience around sustainability issues among directors of public and private companies in the jurisdictions discussed in this paper. Those that did so expressed the belief that director education efforts, especially those that involve practitioner-to-practitioner interaction, help reduce the knowledge deficit and can provide directors the confidence to take a more active approach to oversight of sustainability risk management and disclosure. The Brazilian Institute of Corporate Governance actively promotes sustainability consciousness on boards through integration of sustainability topics into its extensive course catalogue. The Colombian Institute of Corporate Governance (Instituto Colombiano de Gobierno Corporativo) and the Colombian

Banking Association (Asobancaria – Asociación Bancaria y de Entidades Financieras de Colombia), with the support of IFC, have launched an ESG directors training program. This program has already trained more than 36 directors, representing 30% of banking sector boards (Asobancaria, 2025[18]). Of the five jurisdictions discussed in this paper, Brazil, Chile and Mexico each have an active Chapter Zero. Chapter Zero is a global network of board members and senior executives founded in 2019 by the Climate Governance Initiative. Each chapter is focused on building climate competence and stewardship in corporate boardrooms in its jurisdiction. Chapters are organised on a national level, typically in collaboration with professional firms (lawyers, accountants and business consultants) and academic institutions. The network essentially acts as a catalyst for improving corporate climate governance, which in turn elevates the standard and reliability of climate-related corporate reporting.

Despite these sources of encouragement, most directors and experts interviewed for this paper expect progress towards greater board engagement in sustainability-related disclosure to be generally slow. In addition to the materiality tensions discussed in Section 4, other factors that serve as a drag on progress in this area cited by interviewee include:

- Narrow understanding of fiduciary duty; compliance culture. Experts from all five jurisdictions discussed in this paper (especially Mexico) expressed the view that many if not most directors of listed companies continue to evidence a narrow understanding of fiduciary duty as fundamentally compliance-driven and reactive. This translates into a culture resistant to boards taking a more proactive role in areas that have heretofore been outside their traditional remit, especially in relatively novel areas, like sustainability-related disclosure, where their members typically have limited professional experience and expertise.
- Management won't let go of the wheel. Some interviewees cited management resistance to greater board involvement in the sustainability disclosure process as a partial explanation for board passivity. As noted in Section 4, in those companies that have conducted sustainability reporting for some time, decisions around the dimensioning of the scope of disclosures, production of the required information and selection of assurance providers have historically been taken by management with little oversight from the board. The latter's involvement frequently extends little beyond receipt of final sustainability reports for information or perfunctory review and approval. As one interviewee noted, boards are unlikely to engage when they believe that their intervention will have little impact and are reluctant to challenge management absent a crisis.
- Sustainability teams are from Venus, Directors are from Mars. More than one director and several experts interviewed for this paper emphasised the gap between the backgrounds and even vocabularies of sustainability professionals and directors. The former frequently have technical backgrounds in one or more aspects of sustainability, having previously served in engineering, consulting, NGO or advocacy positions. Few have business, operational or financial experience. This can lead to sustainability teams and boards talking past each other, with sustainability professionals talking about maximising the company's sustainability metrics, ratings and rankings, regardless of their strategic impact or financial materiality, while leaving board members unconvinced of their added value to the company and hence their worthiness of the board's attention. Interestingly, one Mexican board member interviewed for this paper believed that regularly including the head of sustainability at board meetings helped bridge this gap and encouraged greater board engagement around sustainability and better alignment of the sustainability team with board priorities. Colombia's Banking Association, with the support of the Swiss embassy in Colombia (SECO), International Finance Corporation and the Colombian Institute of Corporate Governance, has already delivered a training program for Chief Sustainability Officers (CSOs) of banks entitled "How to Talk to Boards About Sustainability" (Asobancaria, 2025[19]).

- Threat of increased penal sanctions reinforces compliance mentality. The expansion of potential penal sanctions for environmental and social harms (notably in Chile) was cited by some interviewees as distracting boards from a strategic approach to sustainability and sustainability-related disclosure. In a board culture that is already biased toward compliance, new laws intended to protect the environment or social sectors (for example, labour) naturally have the unintended consequence of directing board attention toward the issues that are the subject of such laws, at the cost of others. However, one interviewee reported that the increased risk of penal sanctions under new environmental laws and regulations motivated the board to develop a closer reporting relationship with the company's sustainability team, which initially concentrated on ensuring avoidance of liability under the new legal regime.
- Committee and process confusion. As explained in Box 2, boards have a variety of options for organising their work overseeing sustainability and sustainability-related disclosure. No uniform practice of board committee-led oversight of sustainability reporting and assurance has emerged in the way it has for oversight of the process of preparing and presenting the company's financial reporting. First line responsibility over sustainability-related disclosure can conceivably be assigned to or among the sustainability, audit, risk, or even governance/corporate practices committees. Most companies have not mapped it out. In some companies, by default, at least some responsibility is assumed by the audit committee because of its oversight of the annual report. But oversight of financial reporting is time-consuming and audit committee members are typically selected for their financial and traditional financial reporting acumen.
- Sustainability reporting as publicity. A number of those interviewed for this paper observed that many companies have historically viewed sustainability reporting as at least partly an exercise in brand building and public relations. To the extent this has been the case, it reinforces the perception of some directors that it is tangential to strategy and financial performance and hence not a priority for the board. This perception weakens the link between corporate strategy, on the one hand, and sustainability and reporting, on the other.

6 Implications for policy makers, regulators, boards, investors and other market participants

The doubtless incomplete list of forces discussed in Section 5 was compiled from anecdotal evidence collected from a less-than-scientifically-determined sample of sources. Nonetheless, it may offer useful insights into steps that policy makers, regulators, boards, investors and other market participants could consider to encourage directors to view their fiduciary duties more broadly in relation to sustainability disclosures. It may also highlight ways to foster more active board engagement in formulating and implementing sustainability disclosure policies and practices:

- Map the board's sustainability and sustainability reporting responsibilities. As part of the annual board evaluation process or as a stand-alone exercise, boards could conduct a mapping exercise to clearly establish where responsibility for oversight of the various components of sustainability (including disclosure) rests with the full board and with its committees and identify where there are gaps or uncertainty. (See graphic in Box 2.)
- Make engagement in the transition to IFRS reporting a board priority. The transition to mandatory IFRS S1 and S2 reporting by listed companies in Brazil, Chile and Mexico is an opportunity for a re-boot of the sustainability disclosure process and a reengagement of the board in that process. Reinforcing the governance requirements of S1 and S2, regulators and investors could pressure boards to explicitly assign responsibility for overseeing the transition process to a permanent or *ad hoc* committee of the board. Board members should be expected to actively participate in the commissioning and review of materiality assessments aligned with the materiality standards of S1 and S2. Part of the mandate of such committee would be to propose a permanent solution for board oversight of sustainability-related reporting for approval by the board.
- Formally involve the board in all stages of the sustainability disclosure assurance process. The regulations mandating IFRS sustainability disclosure in Brazil, Chile and Mexico provide for a staged transition to reasonable assurance of S1 and S2 reporting. Consistent with the previous suggestion, regulators and investors could encourage boards to formalise their responsibility for selection of the assurance provider and to oversee the determination of the scope and degree of the assurance to be provided.
- Tap into the experiences of DFI-nominated directors. Multilateral and bilateral development banks nominate directors to the boards of a significant number of listed and unlisted companies in the five jurisdictions discussed in this paper. Encouraging good governance and sustainable environmental and social practices are important rationales for their nomination. Policy makers, regulators and DFIs could collaborate to examine the experience of DFI-nominated directors to gain insight into the state of sustainability and sustainability-reporting oversight by boards in the

region. DFI nominees could share their views on obstacles to greater board engagement in sustainability-related disclosure and discuss possible strategies to overcome them.

- Educate sustainability teams on board objectives. To help bridge the knowledge and communication gap between boards and company sustainability teams, regulators and boards could encourage training of sustainability professionals in finance and cost-benefit analysis at the same time that they continue to work to increase sustainability capacity at the board level. Director capacity-building efforts, especially peer-to-peer platforms like IDB Invest-supported iDirectores (iDirectores, 2025[20]) and the IFC/SECO supported program noted above, can help boards and directors share successful strategies for bridging the knowledge and communication gap between them and their companies' sustainability professionals.
- Mitigate the impact of penal laws on board priorities. Policy makers should be cognis Forces for and against greater board engagement ant that increased penal sanctions for environmental and social harms caused by companies can have the unintended consequence of distracting boards from their duties in other areas. Wherever possible, they should consider safe harbour provisions and provide clear guidance around what actions boards are expected to take to ensure compliance with environmental and social legislation.

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Annex 1: Legal/regulatory frameworks in five countries

Table 1. Summary table of legal/regulatory frameworks

Country	IFRS S1/S2 Status & Timeline	Assurance Path	Board-Level Implications	Enforcement Hooks	Sustainability Finance Triggers	Board Committee Patterns
Argentina	No IFRS S1/S2 mandate yet; CNV voluntary guidelines for issuers and sustainable bonds (2019, 2021, 2023).	None required; limited assurance emerging via thematic bonds.	Fiduciary duty implies care; CNV Code (2025) requires annual CG Report with sustainability disclosures on comply-or-explain basis.	Exchange may withdraw "green/sustainable" label from bonds; reputational /media scrutiny.	Green/social/ thematic bonds require sustainability reports subject to external review.	Few formal committees; some leading issuers establish Sustainability/CSR Committees.
Brazil	CVM Res. 193 (2023): voluntary 2024–25; mandatory 2026. CVM Res. 59 (2021) already required sustainability disclosure.	Limited assurance until 2025; reasonable assurance from 2026.	CVM Re. 59 requires disclosure of board's role in climate governance; Banks must designate one director responsible for PRSAC.	Civil/criminal liability under Environmental Crimes Act; CVM oversight.	Large issuance of sustainable bonds; covenants often board-vetted.	Widespread use of ESG/Sustainability Committees; Audit/Risk also assume roles.
Chile	CMF G. Rule 519 (2024): phased adoption from 2026. CMF G. Rule 461 (2021) already required ESG in annual reports.	Transition to reasonable assurance per IFRS timeline.	Boards must describe governance structures for sustainability in annual reports; liability	Civil /criminal liability, including under new Economic Crimes Law (2023/24); CMF enforcement.	Sustainable bonds and sustainability-linked loans tie metrics to board-approved targets.	Mix of ESG, Audit, and Risk Committees; stakeholder panels established post-2019 unrest.
Colombia	No IFRS S1/S2 mandate yet; Superfinanciera Cir. 031 (2021): SASB and TCFD from 2024.	Assurance not required; encouraged, with some large issuers adopting.	Fiduciary duties interpreted to include sustainability risk; Cir. 031 requires board-level oversight.	Superfinanciera fines for non-compliance; regulations under Financial Conglomerate Law require boards to oversee implementation of comprehensive ERM.	DFIs & green taxonomy implicitly create disclosure obligations.	Banks and large issuers have established Sustainability Committees; Audit/Risk have expanded mandates.
Mexico	CNBV rule (2025): S1/S2	Phased: no assurance	2025 CG Code	CNBV oversight; fiduciary duty	Pioneer of social	Growing prevalence of

	mandatory 2026; CINIF NIS standards for unlisted companies.	2026; limited 2027; reasonable 2028.	elevates sustainability as a core board function; recommends Sustainability Committees and sustainability expertise.	rulings recognize climate risks as "notorious fact."	taxonomy (2023); wide use of sustainable bonds with board-approved KPIs.	Sustainability Committees, encouraged by Code revisions.

Note: This table has not yet been checked against the OECD Corporate Governance Factbook 2025, but the author will do so before publication.

Argentina

Company law

Argentina's General Corporations Law No. 19,550 (Corporations Law) establishes the legal framework for forming and operating companies in Argentina. The law specifies registration, public notice, and governance requirements, with provisions for limited liability, nullity, and unlawful or unregistered companies. The Corporations Law sets out the general fiduciary duties of loyalty and care (diligence) of directors and assigns the board of directors' responsibility for providing prudent oversight of management. It also addresses representation, shareholder rights, prohibited clauses, and sanctions for non-compliance. As noted in Part 2, Argentine company law, judicial interpretation, and legal commentary do not place its legal regime for directors' fiduciary duties clearly in the shareholder primary category.

The Corporations Law and regulations issued pursuant thereto by the Superintendency of Corporations articulate certain general disclosure obligations. Listed companies must issue an annual report and provide adequate disclosure of material events when they arise. The specific provisions of law and regulation focus on financial performance and corporate governance, with no specific requirements to disclose environmental or social performance.

Securities law/regulation

Argentina's Capital Markets Law No. 26,831 (Capital Markets Law) is intended to promote the development, regulation, and transparency of Argentina's capital markets, ensuring protection for investors and inclusion of small and medium-sized enterprises. It defines the roles and duties of various market agents and establishes the legal framework for securities issuance and trading. Oversight of entities covered by the law is assigned to the National Securities Commission (CNV), an autonomous body under the Ministry of Economy.

The Capital Markets Law and CNV regulations do not prescribe mandatory sustainability-specific disclosure requirements. The CNV has so far announced no plans for the adoption of IFRS S1 and S2 for listed companies. However, the CNV has issued certain non-binding guidelines to encourage good practices. In 2019, the CNV published guidelines on socially responsible investing and corporate sustainability reporting as a voluntary framework for listed companies and investors. These were followed in 2021 by specific guidelines for green, social, and sustainable bonds and their assurance providers, and in 2023 by guidelines for thematic bonds (see below). While none of these guidelines impose mandatory reporting on all issuers, they reflect emerging market and regulator expectations and provide a point of reference for voluntary disclosures.

Other relevant legislation/regulation/national commitments

In September 2021, Argentina's principal financial regulators – the Ministry of Economy, Central Bank, CNV, and the Superintendency of Insurance – issued a joint declaration committing to promote sustainable finance aligned with the Sustainable Development Goals. This was followed by the adoption of the National Sustainable Finance Strategy (ENFS) in 2023, a government-wide strategy to mobilize financing for sustainable development and achievement of climate goals. The ENFS emphasizes improving transparency and risk management regarding climate change within the financial sector. Pursuant to this strategy, financial sector regulators are expected to gradually integrate sustainability criteria into their supervisory frameworks. Strategic Axis 3 of the ENFS commits Argentina's regulators to promote common evaluation methodologies, analytical frameworks, indicators, and reporting standards as a fundamental step toward consolidating Argentina's sustainable finance market. It also aims to develop reliable sustainability data sources that serve as the basis for informed decision-making and the establishment of concrete goals and actions for the development of sustainable finance in Argentina.

Companies issuing green or social bonds on an Argentina securities exchange must provide a sustainability report alongside their financial statements, subject to external review. The exchange can withdraw the "green/sustainable" label from a bond if the issuer fails to meet ongoing reporting commitments. This indirectly introduces a culture of external assurance for such companies, at least regarding specific projects or metrics tied to the bond. Some companies have extended assurance to their broader sustainability reporting. For instance, companies in sectors like energy and banking have sought limited assurance from audit firms on select sustainability indicators (like greenhouse gas emissions or water usage), providing greater credibility to their disclosures. The possible sanction of delisting may encourage boards of participating companies to take an interest in overseeing the quality and completeness of sustainability information.

The Argentine government's commitments under the Paris Agreement and other international accords (like the G20 Sustainable Finance Working Group) exert pressure for better climate-related disclosure at the corporate level as part of national transparency. Although enforcement is weak in this domain so far, civil society and the media in Argentina have begun scrutinizing companies on sustainability issues – for example, highlighting companies with high carbon emissions or poor safety records. Boards should be increasingly sensitive to the potential for reputational damage if such topics are not proactively disclosed and managed.

Codes, guidelines and other sources of best practice

Argentina's Corporate Governance Code (Code), issued by the CNV, is mandatory for listed companies and serves as a guide for others. CNV General Resolution 1067/2025 requires listed companies to submit a Corporate Governance Code Report annually, under the "comply or explain" principle. CNV Resolution 797/2019 updates the Code, requiring annual sustainability disclosures or justification for non-reporting and promoting alignment with international standards (e.g., GRI, SASB, IIRC, OECD). However, specific sustainability disclosure requirements remain limited, with materiality criteria focused on information that could "substantially impact corporate share prices."

The Code assigns the board of directors a leadership and oversight role for key elements of governance, including information disclosure practices. The chair is identified as responsible for ensuring an annual training program for the board, covering such relevant topics as key sustainability and corporate social responsibility issues. The Code recognizes that corporate governance is dynamic and must adapt to changing contexts (explicitly mentioning sustainability as a key factor in social acceptance of business). It notes that some governance topics – like transparency and sustainability – cut across multiple principles, implying that boards should address them holistically.

The Handbook for Voluntary Reporting and Disclosure of Environmental, Social, and Governance (ESG) Information (Handbook), issued by the CNV in 2023, serves as a voluntary guide for Argentine companies to develop and disclose reports on ESG factors. Like the Code, the Handbook assigns primary responsibility to the board of directors for actively overseeing ESG risk management and disclosure. It sets a financial materiality floor but suggests the application of double materiality.

The Sustainability and Human Rights Policy of the Bolsas y Mercados Argentinos (BYMA) affirms BYMA's commitments and guidelines regarding Sustainability, Human Rights, inclusion, and workplace well-being.

There is currently no Chapter Zero active in Argentina.

Current disclosure practices

Notwithstanding the absence of mandatory requirements, 93% of Argentine issuers publish standalone sustainability reports, mostly following GRI and SASB. These choices are typically driven by the expectations of foreign investors, multinational customers, or benchmarks like the Dow Jones Sustainability Index and the BCBA's sustainability index (Case, 2023[21]). By contrast, smaller listed companies or family-controlled firms may disclose minimal sustainability information. Top companies often voluntarily obtain some level of assurance, typically limited assurance from auditing firms on select data. As of the latest stock exchange data, several companies in the MerVal index (the Argentine stock index) have signalled an intention to move toward integrated reporting (combining financial and ESG reporting) in line with the <IR> Framework or ISSB standards. Such integration would likely come with stronger internal control and possibly assurance mechanisms, overseen by the board's audit committee to ensure consistency with financial disclosures.

Implications for the duties and responsibilities of boards for sustainability disclosure

Formally, Argentine law does not mandate any specific board committee for sustainability or ESG matters. A few leading companies have established dedicated Sustainability Committees or CSR Committees at the board level. These committees typically review sustainability goals, monitor performance against sustainability targets (like emissions reductions or community engagement metrics), and advise the full board on sustainability trends and reporting.

Where a separate sustainability committee does not exist, Boards often rely on other committees to cover sustainability topics within their scope:

- Risk Committees may review environmental and social risk exposures (especially in banks, which must consider credit risks related to clients' sustainability performance).
- Corporate Governance or Ethics Committees may oversee issues of business ethics, anti-corruption, and sometimes social responsibility programs.
- Strategy Committees (if in place) may integrate sustainability into long-term planning.

There is currently no requirement in Argentina to have directors with sustainability expertise. It is reported that a few boards have started to recruit directors with backgrounds in environmental management, climate science, or sustainability accounting to strengthen their oversight capabilities. Moreover, some investor nominees (e.g. from development finance institutions or pension funds) bring a sustainability focus into board discussions.

Overall, Argentina's transparency regime for sustainability is largely market-driven with encouragement from regulators. These have so far been hesitant to impose mandatory requirements, preferring to offer guidance and highlight the benefits of better sustainability governance for companies. The result is practices of leading firms that may be sufficient to satisfy many global investors, while other firms' practices lag.

Brazil

Company law

Brazilian Company Law 6,404/1976, as amended (Company Law) imposes the classic fiduciary duties of loyalty and care on directors and boards. However, a distinguishing feature of Brazilian company (and constitutional with Article 170 of the Federal Constitution) law is the concept of the social role of the corporation – the idea that the company's operations should take into account its impacts on employees, consumers, and the broader society. The Company Law requires companies (and explicitly their boards, who are responsible for the company's compliance with laws) to disclose any fact that may materially affect the company's business or the interests of stakeholders, including information that may negatively affect the environment.

Securities law/regulation

Brazil was the first country to formally adopt IFRS S1 and S2 for listed companies when its securities commission (Comissão de Valores Mobiliários - CVM) issued CVM Resolution 193 in October 2023. Resolution 193 provides a transition period from voluntary application starting in 2024 to mandatory application beginning January 1, 2026. Companies are permitted to secure only limited assurance until the end of the 2025 reporting period, with reasonable assurance required for subsequent reports.

CVM Resolution 59 (issued in December 2021, effective January 2023) amended the periodic reporting requirements for listed companies to include specific and mandatory sustainability disclosures. As of 2023, Brazilian listed companies have had to disclose, on a comply-or-explain basis, a range of sustainability information, including a materiality matrix, in their annual Reference Form (the Brazilian equivalent of an annual report in online regulatory format). These disclosures include:

- A description of the company's compliance with environmental and social laws/regulations.
- Key sustainability performance indicators.
- A discussion of the respective roles of the board of directors and management in assessing, managing, and supervising climate-related risks and opportunities.
- Whether the company conducts a greenhouse gas (GHG) emissions inventory (and its scope).
- Whether the company's climate-risk disclosures align with frameworks like TCFD or the Sustainable Development Goals.

Companies that choose not to disclose certain sustainability information must provide a justification ("comply or explain").

Other legislation/regulation

Brazil's National Environmental Policy Law 6.938/1981and related regulations have long required certain companies (especially in high-impact sectors) to report environmental impacts to government agencies. The law and regulations are intended to promote a culture of corporate environmental accountability, which complements more recent sustainability reporting requirements.

The Central Bank of Brazil (BCB) has also promoted sustainability reporting in the financial sector, issuing National Monetary Council Resolutions CMN 4,943/2021 and 4,945/2021 and BCB Resolution 139/ 2021 that require banks and other regulated financial institutions to incorporate climate and social risks in their risk management framework and to publish an annual "Report on Social, Environmental and Climate-related Risks and Opportunities". This report must describe governance of climate-related risks, including how the board oversees these issues, as well as the actual and potential impacts of these risks on the institution's operations and performance, essentially incorporating TCFD principles into the banking sector regulatory framework. Furthermore, banks must adopt a Social, Environmental and Climate Responsibility Policy (PRSAC) and appoint at least one director responsible for ensuring compliance with this policy.

Brazilian environmental legislation establishes civil liability for environmental damages regardless of fault, with potential corporate veil piercing for recovery. The Environmental Crimes Act (Law No. 9.605/1998) establishes criminal and administrative penalties, with directors liable if they fail to prevent violations within their power.

Codes, guidelines and other sources of best practice

Other relevant elements of Brazil's framework around sustainability reporting include the Brazilian Corporate Governance Code (a voluntary code for listed companies, under the auspices of the Brazilian Institute of Corporate Governance - IBGC) and CVM's 'report or explain' requirements for corporate governance disclosure. While not sustainability-specific, the IBGC code recommends that boards take into account stakeholder interests and long-term factors. Brazil's stock exchange (B3) has encouraged sustainability reporting through its "Informe de Sustentabilidade" voluntary guidelines and by launching the Corporate Sustainability Index (Índice de Sustentabilidade Empresarial – ISE), in which company practices are measured against sustainability criteria. Companies in the ISE or seeking inclusion often apply GRI or Integrated Reporting standards and secure third-party assurance.

Brazil was among the first markets to establish a Chapter Zero, under the auspices of the Brazilian Institute of Corporate Governance (IBCG, 2025[22]).

Current Disclosure Practices

As noted above, CVM Resolution 59/2021 embedded key sustainability disclosures into annual reporting requirements so that today virtually all large listed companies include a sustainability chapter in their annual reports. The CVM's comply-or-explain framework also influences behaviour, with most companies preferring to "comply" (disclose data) rather than "explain" gaps, as they are aware that investment analysts and the media monitor omissions.

In addition to formal regulatory filings, Brazilian companies typically publish standalone sustainability reports or integrated sustainability information in annual reports prepared for shareholders. Some firms began reporting in line with IFRS S1 and S2 even before it became clear that it would eventually be required. As noted in Part 5, the Brumadinho dam collapse tragedy motivated Vale's early adoption of S1 and S2 and may have accelerated its adoption by other firms amid board concern to differentiate their firms' sustainability practices. Brazilian firms also respond to international scorecards: many participate in CDP (Carbon Disclosure Project) questionnaires for climate and water, and a number are components of the Dow Jones Sustainability Index (Emerging Markets), which requires extensive sustainability data sharing.

A significant portion of companies on the B3 exchange's Novo Mercado (the highest governance tier) obtain third-party assurance on parts of their sustainability disclosures, typically limited assurance on selected indicators, such as greenhouse gas emissions, energy consumption, or lost-time injury rates. B3's own Corporate Sustainability Index evaluation process pushes companies towards assurance; to score well, companies often assure their data to demonstrate reliability. Such companies are likely to find it easier to eventually secureg reasonable assurance of their IFRS S1 and S2 disclosures as required by CVM Resolution 193

Transparency in Brazil is also reinforced by the active role of investors and securities analysts. The Brazilian Stewardship Code (2016), developed by the Association of Capital Market Investors (AMEC), encourages institutional investors to consider sustainability performance in their engagement with companies. The Brazilian Stewardship Code explicitly states that investors should monitor investee companies on sustainability matters and exercise their voting rights diligently, including on sustainability-related issues. This has led to more probing questions in annual general meetings about companies' climate strategies or diversity policies, putting pressure on boards to be prepared to respond. Major Brazilian corporations now host annual webcasts during which the sustainability team and relevant board members present sustainability results and answer investor questions.

The boards of directors of large Brazilian companies, especially those in the natural resources, heavy industry and financial sectors have established specialized sustainability/ESG committees. In some cases, audit committees have explicitly or implicitly taken on responsibility for overseeing non-financial reporting and related internal controls, Risk committees may also include environmental and social risks within their remit.

Implications for the duties and responsibilities of boards for sustainability disclosure

A 2022 survey by the Brazilian Institute of Corporate Governance found that an increasing number of boards report regularly discussing sustainability strategy and risks, a trend accelerated by investor expectations (notably from foreign institutional investors and Brazilian pension funds) and by peer competition to be seen as ESG leaders.

Chile

Company law

Chile's Company Law of 1981, as amended (Ley de Sociedades Anónimas - LSA) outlines the fiduciary duties of directors, but historically has not referenced sustainability. However, the broader legal context, including environmental laws, frames certain responsibilities. For example, Chile's Environmental Law No. 19.300, as amended holds companies (and potentially directors in cases of negligence) accountable for environmental damages, incentivising boards to monitor environmental performance and by extension disclose relevant information.

Securities law/regulation

In October 2024, Chile's Financial Market Commission (Comisión para el Mercado Financiero – CMF) issued General Rule 519 (Norma de Carácter General 519, mandating the phased-in adoption of sustainability reporting for listed companies in accordance with IFRS S1 and S2 starting with the 2026 reporting year.

Prior to the issuance of General Rule 519, Chile had already made significant progress in embedding sustainability considerations into its corporate disclosure framework, largely through the initiatives of its securities regulator, the CMF. CMF General Rule No. 461, issued in November 2021, established new ESG disclosure requirements for a broad range of entities. This amended earlier annual report requirements to require integrated reporting of sustainability factors by listed companies, banks, insurance firms, asset managers, and stock exchanges.

Since the 2022 reporting year companies subject to General Rule 461 have included substantial sustainability information in their annual reports, including:

- Discussion of the company's business model, strategy, and risk management concerning ESG issues, effectively integrating sustainability throughout the annual report.

- Disclosure of material sustainability risks and opportunities, especially climate-related risks, including scenario analysis.
- Description of the systems and governance structures the board has put in place to manage sustainability risks.
- “Comply or explain” requirements for reporting SASB (Sustainability Accounting Standards Board) industry-specific metrics relevant to the company. (The SASB industry metrics are now subsumed by the ISSB.)
- Alignment with international frameworks – the rule and its guidance mention <IR>, GRI, TCFD, and IOSCO principles.

The CMF's disclosure standards build on the commission’s Climate Risk Strategy (2020) and Climate Risk Management Roadmap (2022). These initiatives recognize climate change as a systemic financial risk and lay the groundwork for the comprehensive disclosure reforms. This aligns with Chile's Climate Change Framework Law (2022) targeting carbon neutrality by 2050.

To date, there have been no cases in the judiciary addressing directors’ liability in connection with sustainability reporting.

Chile’s Superintendency of Pensions (Superintendencia de Pensiones - SP) issued General Rule 276 in 2022, requiring private pension fund managers (AFPs) to consider climate risk and Sustainability factors in their investment policy and risk management frameworks.

Other legislation/regulation

Chile’s first Nationally Determined Contribution (NDC) was submitted in 2015 after ratification of the Paris Agreement. The NDC was revised in 2020 and 2022 and is expected to be updated again this year to include goals to be achieved by 2035. Chile’s Climate Change Framework Law (No. 21,455, the Climate Act) codifies the country’s goal of achieving carbon neutrality by 2050 and sets climate adaptation and risk assessment guidelines and reporting requirements for specific (high-emission) sectors.

Chile’s Law for Nature Law No. 21,600 of 2023 (Law for Nature) and National Biodiversity Plan (2017-2030) address environmental protection. The Economic and Environmental Crimes Law No. 21,595 was issued in August 2023 and came into force in September 2024. An important reform of the country’s economic crimes regime, it introduced stricter sanctions (including mandatory imprisonment in some cases) for companies and corporate executives involved in criminal conduct. The law extends liability to directors for false legal, economic or financial disclosures, including sustainability-related information and requires companies (listed and unlisted) to establish compliance programs.

Codes, guidelines and other sources of best practice

The Chilean Directors’ Institute (Instituto de Directores de Chile) has also begun to emphasie sustainability. It has issued recommendations that boards ensure long-term risks (like climate change) are embedded in risk management systems and that companies pursue sustainable value creation, balancing shareholder and stakeholder interests. This aligns with the broader shift from shareholder primacy to stakeholder-inclusive governance that is globally underway.

One lesson from Chile’s social unrest in 2019–2020 is that inequality and social discontent can pose operational and reputational risks to companies. Some of the latter have responded by enhancing disclosures and actions on social sustainability (e.g., labour practices, community investments). Therefore, in Chile, board responsibility for sustainability is perhaps less focused on environmental and climate issues than it might be in other markets, with issues like workplace safety, labour relations, business ethics and diversity receiving relatively more attention.

Chile has an active Chapter Zero (Chapter Zero, 2025[23]). Its LinkedIn page has over 3,500 followers and it regularly conducts and broadcasts webinars where directors, company executives and other professionals share their experience with integrating climate risk considerations in corporate strategy and operations.

Current disclosure practices

Chilean companies' familiarity with SASB metrics should facilitate their transition to S1 and S2 standards. Chilean companies are adopting several emerging practices:

- Climate Commitments and Science-Based Targets: A number of Chilean companies, particularly in the energy and industrial sectors, have started to commit to net-zero emissions by 2050 or sooner, often with interim targets for 2030. Many seek validation of these targets by the Science-Based Targets initiative (SBTi). Board approval is required for these commitments, indicating boards are indeed going beyond disclosure into strategic decision-making on decarbonization.
- Linking ESG Metrics to Financing: Banks in Chile have begun offering sustainability-linked loans, and companies are issuing green bonds. Boards involved in these moves must commit to certain ESG outcomes (like renewable energy usage or emission reductions), which then become publicly tracked. This innovative practice ties sustainability performance to financial benefits (e.g., lower loan interest if targets are met) and adds another layer of accountability that boards must monitor.
- Stakeholder Engagement Mechanisms: After the social unrest, many companies set up formal stakeholder panels or grievance mechanisms to better sense and address social issues. Boards, especially via sustainability committees, sometimes interface with these panels to hear directly from community or employee representatives. This trend helps close the gap in understanding stakeholder concerns and can lead to more responsive strategies (and hence, better disclosures of how issues are being managed).
- Collaboration on ESG Standards: Chilean companies, through industry associations, have been collaborating to create sector-specific guidelines (for example, the mining council has a sustainability protocol). Boards that endorse and adopt these collective standards often find it easier to meet disclosure expectations and improve performance due to shared best practices.

Implications for the duties and responsibilities of boards for sustainability disclosure

Regulators and market participants in recent years have signalled their view that material sustainability issues are part of this duty of care. Chilean investors, including AFPs (collectively the largest holders of securities in the country) and international funds, are also driving expectations. Chile’s AFPs, under their own regulatory guidance, have started to incorporate sustainability criteria in investment decisions and engage with companies on these issues. Boards thus face questions about how they oversee issues like greenhouse gas emissions, water usage (critical in a country often facing droughts), or community relations in mining areas.

Colombia

Company law

Colombia's Commercial Code, as modified by Ley 222/1995 establishes three fundamental fiduciary duties of directors aligned with those of most other jurisdictions:

- Duty of Diligence: "Good businessman" standard
- Duty of Loyalty: Advancing company and shareholder interests

- Duty of Good Faith: Honest and transparent conduct.

A 2022 law journal article argues that Colombian law already mandates consideration of sustainability factors by boards through the interpretation of directors' fiduciary duties to ensure the company properly manages material risks (Molina, 2022[24]).

Colombia's companies regulator (Superintendencia de Sociedades – Supersociedades) Companies has issued guidelines for the voluntary submission of non-financial information for unlisted companies in accordance with a form that includes a section on governance and business practices, which could potentially include sustainability practices and performance. It is uncertain whether at some point Supersociedades will make such reporting mandatory in the future.

Securities law/regulation

Colombia's financial sector regulator (Superintendencia Financiera – Superfinanciera) established through Circular 031 (Circular Externa 031/2021) a comprehensive sustainability reporting framework for listed companies and certain regulated financial institutions, adopting TCFD and SASB standards. Superfinanciera can levy fines or impose other penalties on companies (and potentially their legal representatives) for non-compliance with Circular 031 disclosure obligations. Reporting in accordance with such standards commenced in 2024. Superfinanciera has not indicated its intention to formally mandate application of IFRS S1 and S2.

External assurance is not yet required by regulators in Colombia for sustainability data, but it is encouraged. A few companies do engage audit firms to provide some degree of assurance on their sustainability reporting, with Colombian subsidiaries of multinationals typically following their parent's disclosure and assurance practices.

Other legislation/regulation

Articles 79-80 of Colombia's Constitution define environmental rights as collective rights transcending individual interests, imposing duties on the state, citizens, and corporations. Companies operating under environmental licenses must meet disclosure obligations and ensure continued third-party consultation.

Colombia's Financial Conglomerates Law (Ley 1870/2017), which entered into force in 2019, empowers Superfinanciera to effect consolidated regulation and supervision of the country's domestic- and foreign-controlled financial groups. Importantly, the law and regulations thereunder require conglomerates' boards (and risk committees) to implement enterprise risk management across the conglomerate that addresses all material risks, encouraging attention to sustainability-related risks, especially when considered in light of the dependence of such groups on outside sources of finance.

In connection with the country's NDC and other commitments under the Paris Agreement, Colombia's Environment Ministry has promoted a dialogue around the private sector's contribution to meeting the country's carbon emissions targets, including around the responsibility of corporate boards to guide businesses in reducing carbon footprints and enhancing resilience.

Codes, guidelines and other sources of best practice

Superfinanciera requires that all listed companies report annually on their compliance with Colombia's Corporate Governance Code (Código País – Código de Mejores Práctica Corporativas Colombia) through its Código País questionnaire. The Código Pais includes a general reference that companies that issue securities should adopt necessary measures to guarantee the communication to financial and capital markets of all financial and non-financial information about the company required by law and that would be considered material by investors and clients. In addition, its recommendations include providing disclosure of corporate social responsibility, stakeholder relations, community and environmental policies on the company's website.

Colombia's securities exchange (Bolsa de Valores de Colombia – BVC) has actively promoted expanded sustainability disclosure. It published its Guide for the Preparation of ESG Reports for Issuers in Colombia in June 2020 and has provided training on TFCD climate-related financial disclosures in collaboration with UN Sustainable Stock Exchanges, the Carbon Disclosure Project / CDP and International Finance Corporation.

Colombia launched Latin America's first Green Taxonomy (Taxonomía Verde Colombia – TVC) in April 2022, covering 47 eligible economic activities across 8 sectors.

Although a number of Colombian companies, especially in heavy industries and finance, respond to CDP questionnaires on climate, water, and forests, detailing their climate strategies, emissions data, and risk assessments, Colombian directors and executives have yet to establish a Chapter Zero.

Current disclosure practices

As in the other jurisdictions discussed in this paper, Colombian boards have historically focused their attention on financial and operational issues. The corporate scandals involving Odebrecht and other large corporates in Latin America increased scrutiny on governance, creating impetus to strengthen compliance and transparency measures.

Current disclosure practices among Colombia's listed companies reflect the market's domination by financial institutions, energy, natural resources and utilities companies. Major Colombian companies in such industries have a presence in multinational product and capital markets and have consequently elevated their governance and transparency practices (including around sustainability) in response to international investor expectations. For instance, Ecopetrol (the state-controlled oil company) and several large banks have established board-level sustainability committees and incorporated references to climate change into the articulation of their corporate strategies. Grupo Empresarial Antioqueño, Colombia's largest industrial conglomerate, has a relationship with International Finance Corporation spanning decades. IFC has emphasised the importance of corporate governance and sustainability in its financing operations with group companies.

Implications for the duties and responsibilities of boards for sustainability disclosure

It is increasingly common for large Colombian companies to have either a dedicated Sustainability Committee or to expand the mandate of an existing committee (such as the Audit or Risk Committee) to lead sustainability oversight (including sustainability reporting). For example, reflecting a trend among Colombian banks, Grupo Bancolombia's board has established a Sustainability Committee focusing on environmental and social risk oversight and strategy. Similarly, some manufacturing and energy companies have divided responsibilities around sustainability matters among several board committees. (See graphic in Box 2.) One of the effects of the implementation of the Financial Conglomerates Law by Superfinanciera is to require group-wide oversight of risk management, presumably imposing a degree of consistency in the assignment of board responsibilities for oversight of sustainability matters across groups. Given that most financial groups (by number) in Colombia are foreign-owned, this implies a certain degree of importation of practices from the parent companies abroad.

Mexico

Company law

Mexican directors are bound by fiduciary duties under Mexico's General Law of Commercial Companies (Ley General de Sociedades Mercantiles – LGSM) and the Securities Market Law (Ley de Mercado de Valores). The former refers to directors as "mandatarios" who must act with "utmost due care," treating company business "as if it were their own." Thus, the fiduciary duties of directors encompass those of loyalty and care as understood in the other markets discussed in the paper and more generally. Traditionally, these duties have been interpreted in financial terms, with no direct reference to sustainability. However, Mexican judicial rulings have recognized that climate physical risks constitute a "notorious fact" that directors cannot reasonably claim to be unaware/ignorant of and thus must take into account in the exercise of their duty of care.

Securities law/regulation

Amendments to the Securities Market Law adopted in December 2023 empower the Ministry of Finance (SHCP) to set general provisions for the adoption by listed companies of best practices related to sustainable development and gender equity, among other environmental and social factors. Prior to 2025, Mexico did not impose mandatory comprehensive sustainability reporting for listed companies. However, in January 2025, the Mexican Banking and Securities Commission (Comisión Nacional Bancaria y de Valores - CNBV) amended the disclosure requirements for listed companies to require sustainability reporting in accordance with IFRS Sustainability Disclosure Standards S1 and S2, with phased implementation:

- 2026: Mandatory reporting begins
- 2027: Limited assurance required
- 2028: Reasonable assurance mandatory (CNBV, 2025[25]).

In 2024, Consejo Mexicano de Normas de Información Financiera y Sostenibilidad (CINSIF), Mexico's accounting standards setter, amended Mexican accounting standards to require *unlisted* companies who prepare their financial statements under Mexican Financial Reporting Standards (including subsidiaries of foreign companies) to include sustainability information in the footnotes of their financial statements. CONSIF issued two new standards (NIS A-1, Conceptual Framework of Sustainability Information Standards and NIS B-1, Sustainability Indicators) for such disclosures. These standards omit the detailed disclosure around governance, risk management, and sustainability-related risks and opportunities required by IFRS S-1 and S-2. However, CONSIF has indicated its intention to converge such standards with IFRS S-1 and S-2 over time (PWC, 2024[26]).

Mexico pioneered the world's first social taxonomy in March 2023, which uniquely integrates gender equality as a core objective alongside climate mitigation and adaptation. The taxonomy encompasses 124 activities across six economic sectors and aligns with Mexico's nationally determined contribution target of reducing greenhouse gas emissions by 35% by 2030.

Codes, guidelines and other sources of best practice

Listed companies in Mexico are required under CNBV regulations to report their alignment with the recommendations of Mexico's Corporate Governance Code (Código de Mejores Prácticas de Gobierno Corporativo) on a "comply or explain" basis. The 2025 revision of the Code elevates sustainability to a core board function, placing it alongside audit, compensation, finance, and risk as a fifth fundamental responsibility. The Code recommends establishment of sustainability committees, inclusion of sustainability expertise in board composition, quarterly risk reporting, and strategic integration of sustainability considerations. Accordingly, the completion of the next reporting cycle in 2026 should provide interesting insights into the extent to which and the means by which companies are implementing the Code's new recommendations around sustainability governance.

Bolsa Mexicana de Valores (BMV) and Bolsa Institucional de Valores (BIVA), Mexico's two stock exchanges, have created sustainability indices and have openly championed frameworks like TCFD and SASB among their listed issuers. For example, in 2021 a group of major Mexican companies and financial institutions formed the TCFD Mexico Consortium with support from the exchanges and the Banco de México (Mexico's central bank - Banxico), to encourage adoption of the TCFD recommendations.

Mexico has had an active Chapter Zero since 2020 (Chapter Zero, 2025[27]). In addition to its director and executive members, the Chapter receives support from the Institutional Stock Exchange (BIVA) and a number of prominent professional services providers and academic institutions.

Other legislation/regulation

As a signatory to the Paris Agreement, Mexico has established national CO2 reduction targets. The General Law on Climate Change establishes Mexico's national policy coordination and climate risk assessment obligations. The Environmental Responsibility Law establishes corporate and director liability for environmental damage.

Banxico spearheaded the creation of a Sustainable Finance Committee under Mexico's Financial System Stability Council in 2020. This committee coordinates regulators in improving climate disclosure, developing a taxonomy, and building capacity. In 2023, Mexico launched its Sustainable Taxonomy, a classification system for sustainable economic activities. Currently voluntary, it provides guidance for what can be considered environmentally sustainable investments. Over time, this may influence disclosure if regulators tie incentives or reporting to the taxonomy.

Mexico's Ministry of Finance published a Sustainable Finance Strategy in 2020-2021 (Estrategia de Movilización de Financiamiento Sostenible - EMFS). This strategy included actions like developing green bond markets and improving transparency.

Another key piece is the investor stewardship landscape: in 2021, Mexico's pension funds regulator issued new guidelines encouraging integration of ESG factors into investment decisions. Though not strict mandates, this push from the investor side increases demand for corporate ESG information

Current disclosure practices

Leading Mexican companies, particularly Mexico-based multinationals (like Cemex, Vitro and América Móvil) accustomed to international investor scrutiny have implemented relatively expansive sustainability disclosure programs. Nonetheless, those interviewed in connection with this paper, and the author's own experience present a mixed picture. Mexico has historically lagged Brazil and Chile in sustainability reporting, especially among mid-size and smaller listed companies and those without significant exposure to international sources of finance.

A significant development in Mexico in recent years is a marked increase in the issuance of sustainable bonds (green, social, sustainability bonds). Corporate issuers of such bonds commit to certain reporting on the use of proceeds and social or environmental impacts. In practice, that means management sets up processes to track how money is spent on green projects and measure outcomes, with oversight often by the finance and sustainability teams jointly. This has indirectly improved internal controls for those companies, at least for the projects financed by the bonds.

In recent years, at least one major Mexican company faced a shareholder proposal around improved sustainability disclosure (though such proposals are not common in Mexico). International investors have also engaged quietly – for example, BlackRock has, in its letters, urged Mexican companies to disclose climate risks.

Implications for the duties and responsibilities of board for sustainability disclosure

Board composition in Mexico traditionally has been dominated by controlling shareholders or family members for family-owned groups, with a minority of independents as required by the stock exchange rules (at least 25% independents for listed firms). As such, getting specific ESG expertise on boards can be challenging, but some shifts are visible.

Cemex's board has a long-established Sustainability Committee, which set something of a precedent among Mexican issuers. Also, some Mexican companies have joined global initiatives (like Science Based Targets, or the UN Global Compact) at board level, implicitly locating responsibility at the board for meeting those commitments.

However, directors and experts consulted for this paper expressed the view that board attention to sustainability matters (including sustainability disclosure) is by no means universal among Mexican boards, especially among smaller and mid-sized listed companies and those without significant

Board composition in Mexico traditionally has been dominated by controlling shareholders or family members for family-owned groups, with a minority of independents as required by the stock exchange rules (at least 25% independents for listed firms). As such, integrating specific ESG expertise into boards remains challenging within these structures. However, gradual shifts toward sustainability competence are becoming visible.

Annex 2: Corporate sustainable bonds in Mexico

	Green	Social	Sustainability	Sustainability-linked
2021	0.6	0.3	0.6	6.8
2022	0.7	0.8	3.9	1.6
2023	1.8	0.3	1.8	1.9
2024	0.9	0.3	3.1	

Source: Isolation of data from Chapter 3 of the OECD Global Debt Report, 2024