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EFFECTIVE SHAREHOLDER ENGAGEMENT TO ADDRESS THE FOOD SECTOR'S SDG-RELATED IMPACTS IN MEXICO

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I. Introduction

Globally, there is growing investor engagement on environmental and social issues. Over 550 financial institutions participate in net zero alliances,[1] the largest-ever number of ESG-related resolutions was filed in 2023 (over 500),[2] and global sustainable fund assets hit nearly $2.8 trillion at the end of June 2023.[3] Corporate sustainability reporting standards and regulations – many of which are international, have extraterritorial reach, or cover global value chains – have proliferated and are reinforcing the larger trend.

Traditional investing has historically focused on mitigating financial risk without being cognizant of other important external risks. Sustainable investing takes a wider view that is explicitly interested in sustainability issues, but some approaches are more progressive than others. Some sustainability or ESG investment efforts focus on sustainability impacts only to the extent they are linked to or overlap with financial materiality. Some large institutional investors, particularly those considered to be universal owners, express an understanding that system-level issues like climate change, biodiversity loss, and inequality present risks to the entire economic system, and thus to their entire portfolios.[4] Some mainstream investors have acknowledged they have a responsibility to manage severe environmental and social risks, in line with international standards.[5] Other smaller and philanthropic funds use an impact investing strategy that focuses more on driving sustainability impacts, with a less explicit focus on returns.[6]

Rather than investment decision making (i.e., deciding *what* to invest in either by screening or excluding companies or entire sectors that are seen as high risk or by targeting investments in areas that have some kind of positive sustainability potential through impact investing), this report focuses on the more effective strategy for public equity investors to influence companies' SDG-related impacts: active ownership through shareholder engagement and advancing and voting on resolutions.[7] Through active ownership, investors use their leverage to influence the conduct and decision-making of the firms they own, to avoid sustainability and human rights risks or to capitalize on sustainability and human rights opportunities. This report considers how active investors can best exercise their leverage in the particular context of Mexico's food sector.

Although active ownership efforts have grown globally, they remain limited in Mexico and other emerging markets. Investors have an opportunity to do more to help address critical SDG-related issues in these contexts through their active ownership efforts. By doing so, they can be more responsible in ensuring respect for human rights, protecting shared systems, and supporting their long-term financial interests. Importantly, they can also ensure they comply with – and support their portfolio companies in complying with – emerging legal frameworks requiring reporting and due diligence on the impacts of their global value chains, including in Mexico.[8]

This report summarizes key opportunities and barriers facing investors who wish to more actively drive positive SDG outcomes in Mexico's food sector through shareholder engagement.

First, this report discusses the food sector-related SDG challenges globally and then those that are most important in Mexico. It identifies influential companies investors can engage with and surveys benchmarks on those companies' SDG disclosure. Next, the report provides an overview of the status of and legal context for sustainable investing in Mexico. Then, it considers the extent and nature of investor influence over companies in Mexico.

Based on this analysis, the report concludes by providing recommendations for investors on influencing portfolio food sector companies' management of their SDG-related impacts in Mexico. The recommendations draw upon existing standards and guidance that bear on the roles and responsibilities of investors.

This report's primary aim is to provide guidance to Mexican and foreign institutional investors who can use their shareholdings to engage with food sector companies with a footprint in Mexico. Other stakeholders may also find this report valuable, including those interested in opportunities for the financial sector to advance the SDG-alignment in the Mexican food sector or any sector in any comparable emerging market.

II. SDG-Related Issues Relevant to the Food Sector Globally

The food sector exemplifies the interconnectedness of the SDGs because of the sector's substantial physical and environmental footprint, and the number of people whose livelihoods and health are directly tied to the sector and its companies' practices. According to the EAT-Lancet Commission, "Agriculture occupies about 40% of global land, and food production is responsible for up to 30% of global greenhouse-gas emissions and 70% of freshwater use. Conversion of natural ecosystems to croplands and pastures is the largest factor causing species to be threatened with extinction."[9] There is significant opportunity for companies in the sector to better manage their negative externalities and thus deliver the benefits to people and nature necessary to achieve the SDGs.

However, the SDGs do not themselves make clear what companies can and should do to contribute to achieving them. As a result, many companies use and report on their contributions to the SDGs in ways that 'cherry-pick' issues and good news stories, rather than prioritizing their fundamental obligation to address their own negative impacts.[10]

To fill this gap and help address the challenges in the food sector globally, CCSI and its project partners launched the Handbook for SDG-Aligned Food Companies in 2021. The Handbook is aimed at guiding food companies and enabling investors and other stakeholders to evaluate and engage with companies on their SDG alignment.[11] The Handbook covers all relevant areas of food sector business activity, organized under the four pillars and twenty-one standards below.

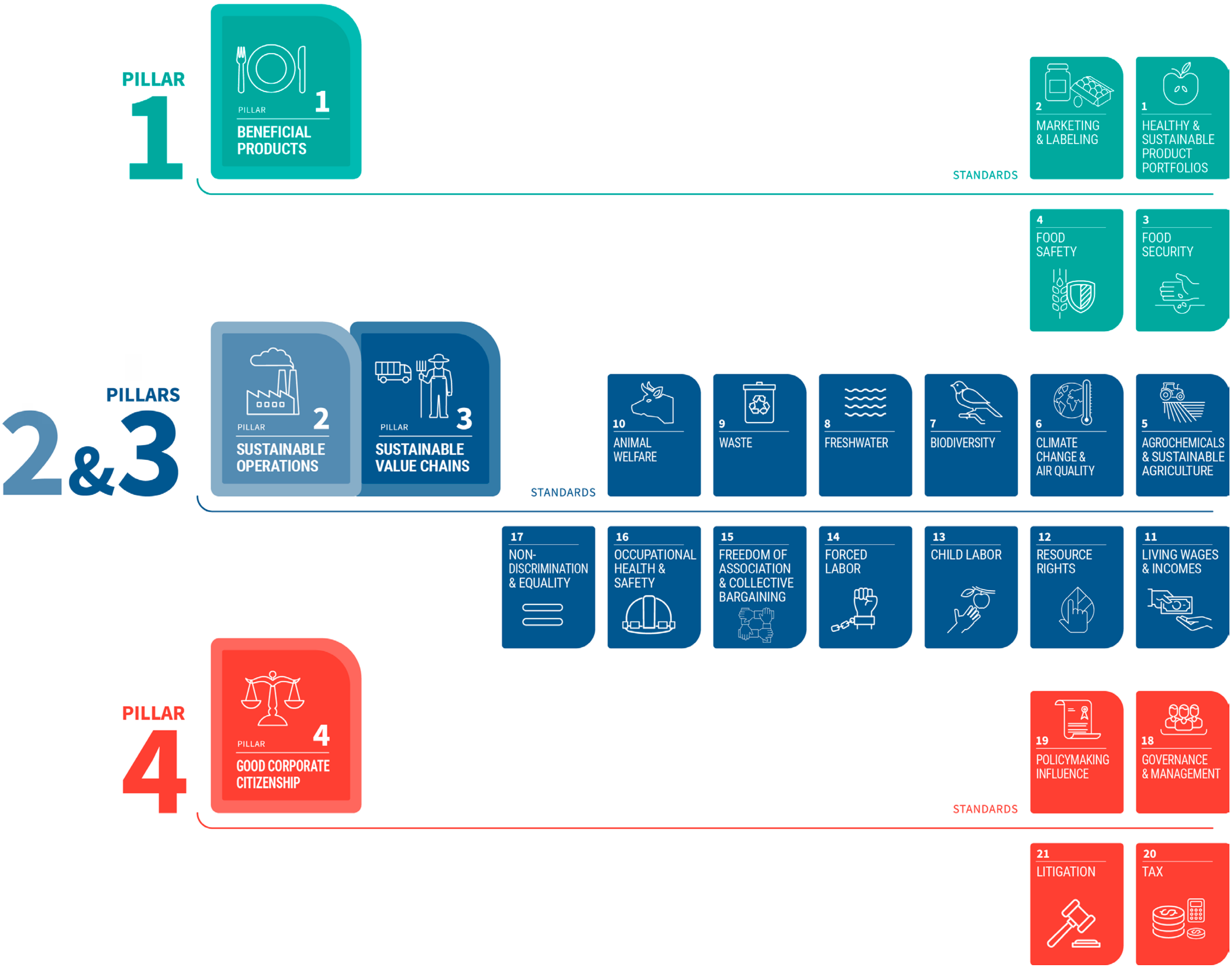

Figure 1: **The Handbook for SDG-Aligned Food Companies identified the twenty-one issue areas above, which are relevant to the business areas necessary to contribute to achieving the SDGs: (1) Beneficial Products; (2) Sustainable Operations; (3) Sustainable Value Chains; (4) Good Corporate Citizenship.**

The twenty-one key topics covered were selected in collaboration with the World Benchmarking Alliance (WBA) and the Food Foundation, in a process to identify the main issues food companies needed to tackle to achieve a food systems transformation. These topics are those where the food sector is currently lagging and its negative impacts are most severe and widespread. The twenty-one topics largely correspond with the indicators of the WBA Food and Agriculture Benchmark (discussed in Section V below).

This approach of prioritizing addressing the most severe negative impacts of the sector, rather than beginning with positive contributions, corresponds with the authoritative frameworks on corporate responsibility: the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. These frameworks articulate the minimum standards for companies, grounded in international law. They clarify that companies have responsibilities across their entire value chains, and these responsibilities are met by conducting due diligence. The Handbook elaborates what due diligence entails across all twenty-one issue areas.

III. Key SDG-Related Issues in the Mexican Food Sector

In Mexico, the food sector is particularly critical to the economy and SDG achievement.[12] For investors, the prominence of the sector presents an opportunity to contribute to Mexico's national development priorities as well as global sustainability goals.

To identify the priority SDG-related issues for the Mexican food sector, CCSI conducted research using data from SDG Tracker[13] and the Mexican Agenda 2030 site.[14] The research identified negative trends, significant absolute performance gaps (even if trends are positive), and data gaps in Mexico. This research found that virtually all of the issues covered by the CCSI Handbook's twenty-one standards are relevant in this context (see Figure 1 above). Relevant issues identified include:

- Healthy diets, responsible marketing and labeling, and food security;
- Impacts of agricultural practices on biodiversity and climate;
- Impacts of agriculture and food and beverage processing on freshwater;
- Human rights issues, including labor rights, resource rights, Indigenous Peoples' rights and living wages and incomes;
- Corporate political influence; and
- Threats to human rights defenders.

For illustrative purposes, the spotlights on SDG-related issues in the food sector in Mexico below describe some of the sector's most critical impacts in the country as documented by journalists and civil society organizations. The issues they describe have also been or may become financially, reputationally, or legally damaging to specific companies and the sector more broadly. These spotlights were selected because they demonstrate the interconnectivity of issues and highlight themes relevant across the sector. The examples and issues covered are noteworthy, but by no means exhaustive.

Some of the key themes that emerge from these spotlights are:

1. Access to clean water is threatened by food company operations in Mexico;
2. Certain groups, including migrant workers, informal workers, Indigenous Peoples, women, children, and human rights defenders, are at heightened risk of human rights and environmental impacts;
3. Mexican food companies are highly consolidated, giving them – and the small group of families that own them – significant market and political influence; and
4. Challenging local circumstances, including organized crime, violence, and repressed civic space, are linked to and impact the food sector, and can exacerbate the negative social and environmental impacts of the sector.

Spotlight 1: Internal Migrant Berry Workers in Mexico

Berries (strawberries, raspberries, blackberries, and blueberries) have become Mexico's primary agri-food export product.[15] Between 2011 and 2020, their production tripled.[16] According to a 2023 briefing by the Business and Human Rights Resource Centre (BHRRC), berry workers have reported a range of human rights impacts tied to their work, particularly affecting informal itinerant workers (agricultural workers who travel from one field to another during the year, travel every day from their origin communities, or resettle permanently in their workplaces).[17] These include:

- Lack of appropriate working permits and contracts to effectively protect worker rights;
- Restrictions on the right to freedom of association;
- Child labor;
- Long working hours (15-hour days), irregular working hours, inconsistent payment, and unequal salaries;
- Lack of decent living conditions, personal security, and access to healthcare;
- Health issues related to exposure to agrochemicals and other contaminants; and
- Specific health impacts for women workers, exacerbated by heavy physical labor and care duties.

The BHRRC briefing, which identifies the large and small companies critical to the berry export supply chain in Mexico, notes that issues in the sector are exacerbated by a lack of transparency about the practices of agricultural producers and a lack of due diligence among retailers that buy berries. Other research has shown these conditions persist on fair-trade certified farms in Mexico, including tomato and berry plantations.[18]

Spotlight 2: Criminal Cartels' Connections to Avocados and Other Agricultural Products

Criminal cartels are a pervasive problem in Mexico, and their impact is not limited to the illegal drug trade. As certain agricultural products have become more lucrative, cartels have sought to extract profits by seizing power over their production and trade. This has particularly been the case for avocados, as Mexico is the world's largest producer and the fruit experienced a sharp increase in global demand and doubled production in the past decade.[19]

For years, cartels have exploited the avocado trade in the main producing region of Michoacán by threatening and extorting producers, transporters, and packers to pay 'protection fees.'[20] There have even been reports of cartels kidnapping avocado farmers.[21] In response, some farmers have taken up arms to defend themselves from attacks by drug cartels.[22] In the past few years, the situation has escalated, with two environmental defenders reportedly murdered in Michoacán in 2022.[23] The same year, the US temporarily banned the importation of avocados from Michoacán after threats were leveled against a US factory health inspector.[24] In some cases, cartels have reportedly directly taken over avocado farming lands themselves, and engaged in illegal deforestation of protected woodlands.[25] Even without cartel influence, deforestation and biodiversity loss due to encroachments into forested regions in Jalisco and other states, and the associated impacts on livelihoods, water supplies, and carbon sinks, would be challenges given the increased demand for avocado.[26] Cartel influence exacerbates these issues and adds to the list: killings, forced labor, and forced child labor.[27]

In the past couple of years, in order to fund an escalating conflict among cartels, these activities have spread to and disrupted the production and trade of other agricultural products in Michoacán, including limes and berries.[28] Some lime growers reported they were displaced after cartels burned their orchards and looted their properties.[29] The escalating cartel involvement has contributed to sharp price increases and shortages for these products.[30]

Spotlight 3: Breweries and Communities' Access to Water

Mexico is the world's fourth largest producer of beer,[31] with 74% going to the US.[32] Two powerful and highly consolidated companies dominate the beer industry: Grupo Modelo (owned by producer and marketer, Constellation Brands, and distributed by AB InBev) and Heineken Mexico (also known as "Cervecería Cuauhtémoc Moctezuma," a subsidiary of Heineken International).[33]

Because an average three liters of water are used to produce one liter of beer, concerns have been raised about the water footprint of beer production in water-stressed regions in Mexico.[34] At Zacatecas, the largest Modelo plant worldwide, Grupo Modelo has reportedly exceeded its legal water allotment, impacting the availability of water in the arid region. The plant has also been accused of denying workers the right to freedom of association. In 2017, social and labor collectives took over the plant, demanding it stop illegally overexploiting the water resources in the area.[35] In 2020, an Indigenous Mexican activist and leader who was fighting for water rights and against the excessive use of the region's aquifers by large beer and wine companies was killed in his home in Tecate, Baja California.[36] In 2022, plans to construct another Constellation plant in Baja California were officially terminated five years after local farmers blocked construction materials from reaching the site, protesting the fact that a publicly-funded aqueduct was built to supply water to the brewery and away from their crops.[37]

Other companies with high water footprints, including Danone-owned bottled water brand Bonafont, have had operations temporarily shut down by Indigenous Peoples and local communities protesting impacts on their water rights.[38]

Spotlight 4: Impacts on Indigenous Peoples and Pollution from Pork and Other Food Processing

Meat products represent a large part of national agricultural production in Mexico,[39] which ranks twelfth in livestock production globally.[40] In the Yucatán, Mayan peoples and local communities have long protested the environmental and human rights impacts of the region's many large-scale pig farms.[41]

In 2016, Producción Alimentaria Porcícola (PAPO) (a subsidiary of the Yucatán's fully integrated pork monopoly, Grupo Porcícola Mexicano (Kekén),[42] a brand of the publicly-traded conglomerate Grupo Kuo) began constructing a new large-scale farm with a capacity of over 49,000 pigs in the town of Homún.[43] Indigenous Mayan Peoples alleged they were dispossessed of lands when permits were granted without their consent, in violation of their right to self-determination. They also complained about the farms' environmental impacts, including deforestation, bad odors, and contamination of natural resources, including the critical freshwater hydrological reserve systems of nearby cenotes.[44]

In 2017, Homún held a self-consultation in which participants expressed that they did not want the farm,[45] and subsequently, a group of children in Homún sued PAPO.[46] In April 2022, a federal judge used international standards on Indigenous Peoples' rights and the precautionary principle to uphold the suspension of the farm until the children's trial concludes.[47] After Mayan peoples demanding an end to new pig farms in the Yucatán,[48] in July 2022, the Secretary of Environment and Natural Resources (*Secretaria de Medio Ambiente y Recursos Naturales*, or SEMARNAT) committed to not granting any more permits to mega pig factories in the state and made other commitments to monitor impacts on the environment and water and ensure community participation in determining territorial planning.[49] In the same year, however, there were reports of threats and intimidation against environmental human rights defenders opposed to the mega farm in Homún,[50] as well as reports of existing pig farms expanding their operations.[51]

Other major food companies have also been flagged for polluting waterways in Mexico, including the Santiago River, the most polluted river in the country. After official studies confirmed companies' toxic discharges into the river caused severe health impacts on local communities,[52] the UN Working Group on Business and Human Rights criticized the lack of government action in its country visit report in 2016.[53] The local government of Jalisco published a list of twenty-nine companies linked to pollution of the river in 2020 that included food and beverage companies José Cuervo, Hershey México, and Nestlé. Subsequently, the government has taken steps to address the pollution.[54]

Spotlight 5: Sugary Beverages, Health, and Civic Space

Mexico faces challenges related to both food insecurity and overnutrition. With approximately 46.2% of the population living in a situation of poverty,[55] approximately 20.2% of the population are unable to afford a healthy diet, 27.6% of the population qualify as food insecure, and 28.9% of adults are considered obese.[56]

In response to growing obesity and diet-related chronic diseases, and research on the negative health impacts[57] of the very high levels of sugary beverage consumption in Mexico,[58] in 2014, Mexican lawmakers implemented one of the world's first public health taxes on sugar-sweetened beverages (SSBs), often referred to as a 'soda tax.' The approximately 10% tax on SSBs was joined by other measures, including a tax on unhealthy snacks and restrictions on food product packaging. Peer-reviewed non-industry-funded studies have projected significant reductions in obesity over a 10-year period based on the observed declines in the consumption of SSBs following the tax's implementation.[59]

Coca-Cola and other multinational soda companies and their industry groups, like Consejo Mexicano de la Industria de Productos de Consumo (ConMéxico) and Consejo Coordinador Empresarial (CCE), which have significant influence in the Mexican government, fiercely opposed the tax.[60] After its passage, industry stakeholders took oversight positions on government advisory panels monitoring the tax's effects and lobbied lawmakers to reduce the tax rate. Industry organizations also funded non-peer-reviewed research suggesting the tax had been a failure.[61]

Across sectors, civic space is considered 'repressed' in Mexico,[62] human rights defenders are at heightened risk,[63] and journalists have faced threats for criticizing the government and its allies.[64] In 2017, the New York Times reported that a spyware tracking system exclusively sold to governments had been deployed to monitor leaders of Mexico's National Institute of Public Health and civil society organizations supportive of the tax.[65] The Times noted this "raises questions about whether [the spyware] tools are being used to advance the soda industry's commercial interests in Mexico."[66]

A 2020 report warned that industry lobbying and influence may threaten the success of the SSB tax and other efforts to address the food sector's negative impacts in Mexico, such as a new law[67] requiring front-of-pack warning labels for food and beverage products.[68]

IV. Influential and Potentially Responsive Food Sector Companies in Mexico

There are certain food sector companies whose businesses have a substantial impact on Mexico's efforts to realize the SDGs, including large Mexican food and beverage companies. However, these companies are difficult for investors to influence because many are not publicly traded and both public and private firms are generally under family control (see Section VII below). Thus, active investors should explore engagement with other influential and potentially more responsive companies. These include Mexican agricultural producers and retailers, as well as companies outside of Mexico who have substantial operations and business relationships, including subsidiaries and value chains, in Mexico.

The table below provides a list of influential food sector companies in Mexico who CCSI has identified as being potentially responsive to active ownership. Their degree of influence was determined primarily based on their size and, where possible, information about their influence on SDG achievement attained through desk-based research and interviews with Mexican civil society organizations. Agricultural producers were identified as influential based on their production of key agricultural products: berries, avocado, pork, tomatoes, and sugar.[69] These key agricultural products were selected because of their importance to – and connections to SDG-related impacts in – Mexico (see more Section III above and additional footnotes on tomatoes[70] and sugar[71]). Several retailers were included because of their substantial presence and value chains in Mexico via the products they sell.

WHY ARE PRIVATE COMPANIES INCLUDED IN THE LIST OF INFLUENTIAL COMPANIES?

Publicly traded companies are more obvious advocacy targets because public equity investors can engage with them as shareholders, but the fact is that many influential food sector companies in Mexico are private. Some private companies are included in this list because public companies on the list may own or have business relationships with them, which could be the focal point of an engagement (e.g., an investor could engage with a retailer about how they are using their leverage with a private company whose products they sell). In other cases, they are included because financial institutions may have other ways of engaging with them – as lenders and as bond investors, for example, as discussed in the Section VIII.

Table 1 below is a non-exhaustive list of influential and potentially responsive food sector companies in Mexico developed based on the above criteria. Companies listed on stock exchanges are listed first in order of their size based on their market capitalization, and private companies are listed next (their order is not strictly based on their size because comparable information about all of their revenues was not publicly available).

Company	**Sector**	**Headquarters**	**Public/ Private**	**Foreign companies' known connection to and influence in Mexico;** *and where applicable, Mexican companies' known connections to other listed companies.*
Amazon	Retail	US	Public	Sells food and key agricultural products produced in Mexico.
Walmart	Retail	US	Public	Sells food and key agricultural products produced in Mexico, and has a subsidiary, Walmart de México, that is publicly listed on the BMV.
Nestlé	Food	Switzerland	Public	Manufactures and sells products in Mexico.
The Coca-Cola Company (Coca-Cola)	Beverage (SSB)	US	Public	Bottles and sells its products in Mexico.
PepsiCo	Food and Beverage (SSB)	US	Public	Bottles and sells its products in Mexico.
Costco	Retail	US	Public	Sells food and key agricultural products produced in Mexico.
Anheuser-Busch Inbev (AB InBev)	Beverage (Beer)	Belgium	Public	Distributes Grupo Modelo (one of the two largest beer companies in Mexico) brands, which include Modelo, Corona, Victoria, and Pacífico.
Target	Retail	US	Public	Sells food and key agricultural products produced in Mexico.
Heineken International	Beverage (Beer)	Netherlands	Public	Parent company of one of the two largest beer companies in Mexico, Heineken Mexico, with brands including Dos Equis, Sol, Bohemia, Superior, and Tecate. FEMSA owns a large stake in Heineken International after Heineken bought FEMSA's beer operations (Cervecería Cuauhtémoc Moctezuma) in 2010.
Constellation	Beverage (Beer)	US	Public	Owns Grupo Modelo, whose brands include Modelo, Corona, Victoria, and Pacífico.
Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)	Food, Beverage (SSB), Retail	Mexico	Public	*Parent company of the largest independent Coca-Cola bottling group in the world (BMV- and NYSE-listed Coca-Cola FEMSA) and the largest convenience store chain in Mexico (Oxxo); owns a large stake in Heineken International (see above).*
Kroger	Retail	US	Public	Sells food and key agricultural products produced in Mexico.
Ahold Delhaize	Retail	Netherlands	Public	Sells food and key agricultural products produced in Mexico.
Grupo Bimbo	Food	Mexico	Public	
Arca Continental	Food and Beverage (SSB)	Mexico	Public	*Coca-Cola bottler; owns Grupo Piasa, private sugar producing company.*
Gruma	Food	Mexico	Public	
Grupo Comercial Chedraui	Retail	Mexico	Public	
Industrias Bachoco	Food	Mexico	Public	
Organización Soriana	Retail	Mexico	Public	
Grupo Herdez	Distribution (incl. tomatoes)	Mexico	Public	
Mission Produce	Agriculture (Avocado, Berries)	US	Public	Subsidiary of BMV-listed Mexican company Gruma.
Calavo Growers	Agriculture (Avocado)	US	Public	Consumer goods and farm products company with significant presence as an avocado packer in Michoacán and Jalisco. Other agricultural products produced in Mexico include tomatoes.
Cargill	Agriculture and Distribution	US	Private	Producer and distributor of sugar and other products produced in Mexico.

Grupo Lala	Food (Dairy)	Mexico	Private	
Driscoll's	Agriculture and Distribution (Berries)	US	Private	Producer of berries and other agricultural products produced in Mexico.
Andrew & Williamson	Agriculture (Berries, Tomatoes)	US	Private	Producer of berries, tomatoes, and other agricultural products produced in Mexico.
California Giant Berries Farm	Agriculture (Berries)	US	Private	Producer of berries produced in Mexico.
Sigma Alimentos	Food	Mexico	Private	*Owned by BMV- and BMAD-listed Mexican conglomerate Alfa.*
Grupo Porcícola Mexicano (Kekén)	Agriculture (Pork)	Mexico	Private	*Owned by BMV-traded Mexican industrial conglomerate Grupo Kuo.*
Beta San Miguel	Agriculture (Sugar)	Mexico	Private	
Zucarmex	Agriculture (Sugar)	Mexico	Private	
Berrymex	Agriculture (Berries)	Mexico	Private	

V. SDG-Related Benchmarking of Influential and Potentially Responsive Companies

To provide a window into the above influential companies' efforts to manage their negative SDG-related impacts, this section shares information about their available SDG-related benchmarks. Investors with trillions of dollars in assets under management have used benchmarks on SDG-related topics as the basis for their engagements, including through public letters calling upon low-scoring companies to improve.[72]

While they have their limitations, company benchmarks are important tools for investors. Traditional ESG ratings and indexes are limited in their ability to establish an objective basis for investors seeking to avoid systemic risk. ESG methodologies tend to be proprietary and not publicly available, focus on financially material risks, and typically aggregate a wide range of issues without transparency about how issues are weighted, giving an incomplete picture of the companies' externalities and making it difficult to identify priority issues for engagement.[73] They thus have limited value to investors seeking to address both systemic risk and corporate social and environmental performance.

SDG benchmarks that are developed through consultations with civil society and experts and which publish disaggregated and granular company scores, on the other hand, provide useful comparable public assessments of companies on SDG-related issues. Particularly where peers in a company's sub-sector are scored, investors use them to assess, compare, and engage with companies. By making their methodologies publicly available, their scores are more accountable and exposed to public and company scrutiny. Accordingly, and because their indicators typically reflect baseline global expectations, they can be cited in investors' public engagements (e.g., letter writing and shareholder resolutions). They provide insight into the quality of the benchmarked companies' relevant policies and disclosure on SDG-related issues, as evaluated by groups with expertise in company sustainability. They can thus serve as a starting point for engaging with companies about their management of those issues.

However, corporate sustainability benchmarks are not without their limitations. Their heavy reliance on disclosure may in some cases unduly reward companies for the volume and sophistication of their reporting even when their real-world efforts are lacking. They typically review companies' global policies and disclosures, while these may not fully reflect reality in all regions where the company, including its foreign subsidiaries, operate. Particularly crucial in this context, some of these benchmarks – including WBA Food & Agriculture Benchmark, the Corporate Human Rights Benchmark (CHRB), and KnowTheChain (KTC) – only review English language disclosure. This means that some low scores may simply not be cognizant of relevant Spanish language disclosures by Mexican firms. Thus, benchmarks are best suited to evaluating and comparing companies headquartered in English-speaking countries or that otherwise have substantial English language disclosure.

Overall, benchmarks on SDG-related issues provide a useful, if still imperfect, alternative to ESG ratings and indexes for investors' engagements with assessed companies.

Table 2 below can serve as an engagement tool for investors and the starting point for deeper research on the influential companies. Information on each benchmark and feature included in the table below is provided in the Appendix. For each of the benchmarks, a more granular break-down of the company's scores on specific issues is available by clicking the hyperlinks below.

Company	UNGC Member?	2023 WBA Food & Ag Score (out of 100)	2022 CHRB Score (out of 100)	2023 WBA Nature Benchmark (out of 100)	2022-2023 KTC Food & Bev Score (out of 100)	2021 Ceres Feeding Ourselves Thirsty Score (out of 100)	SBTi		LobbyMap Score (A+ to F, or N/A)	**Scores on additional benchmarks** *and notes regarding subsidiaries and parent companies.*
							Near-Term Target?	Net-Zero by 2050 Target?		
Amazon	-	-	15.1	-	31	-	Commitment Removed	-	B-	
Walmart	-	34	22	26.5	33	-	1.5°C aligned 2025 & 2030 targets	Committed	B-	• *Subsidiary Walmart de Mexico is a UNGC member.* • 2023 Ceres Food Emissions 50 Company Benchmark score available for both Walmart and Wal-Mart de México.
Nestlé	Yes	65.6	34.3	54.1	36	80	1.5°C aligned 2025 & 2030 targets	Committed	B-	• *Subsidiary Nestlé Mexico is also a UNGC member.* • 2021 ATNI score of 6.7 (out of 10), with approximately 42% of global retail sales derived from healthy products in 2019. • 2022 ATNI Lobbying score: 50%.
Coca-Cola	Yes	31.3	21	31.1	29	90	2°C aligned 2030 target	-	C+	• 2021 ATNI score of 3.4 (out of 10), with approximately 11% of global retail sales derived from healthy products in 2019. • 2022 ATNI Lobbying score: 23.6%
PepsiCo	Yes	43.4	40.1	37.8	17	72	1.5°C aligned 2030 target	Committed	C+	• 2021 ATNI score of 4.5 (out of 10), with approximately 21% of global retail sales derived from healthy products in 2019. • 2022 ATNI Lobbying score: 36.5%
Costco	-	14.4	9	13	27	-	-	-	N/A	• 2023 Ceres Food Emissions 50 Company Benchmark score available.
Anheuser-Busch Inbev	-	43.2	34.8	35.1	-	83	1.5°C aligned 2025 target	Committed	-	
Target	-	-	17.5	-	-	-	2°C aligned 2023 & 2030 targets	Committed	C	
Heineken	Yes	38.2	28.5	34.4	-	-	1.5°C aligned 2030 target	Committed (by 2040)	B+	• *Subsidiary Heineken Mexico is also a UNGC member.* • In addition to a 1.5°C aligned near term target, Heineken also has a 1.5°C aligned 2040 (long-term) target.
Constellation	Yes	17.2	1.8	12.1	-	34	-	-	-	• *Grupo Modelo, owned by Constellation, is a UNGC member.*
FEMSA	Yes	-	-	-	3	-	-	-	N/A	• *Subsidiary Coca-Cola FEMSA is also a UNGC Member and has an SBTi near term target well-below 2°C.*
Kroger	-	29.2	10.7	20.5	14	-	Committed	-	-	• 2023 Ceres Food Emissions 50 Company Benchmark score available.
Ahold Delhaize	Yes	42	22.4	31.8	11	-	1.5°C aligned 2030 target	Committed	D+	• 2022 Oxfam Behind the Barcodes Supermarket Scorecard score of 28%.

Grupo Bimbo	Yes	33	-	23.3	6	-	1.5°C aligned 2025 & 2030 targets	Committed	-	• 2023 Ceres Food Emissions 50 Company Benchmark Score available. • 2021 ATNI score of 4.2, with approximately 46% of global retail sales derived from healthy products in 2019. • 2022 ATNI Lobbying score: 27%.
Arca Continental	Yes	-	-	-	3	-	Well-below 2°C aligned 2030 target	-	-	
Gruma	Yes	11.4	-	11.2	-	-	-	-	-	
Grupo Comercial Chedraui	-	3.9	-	4.4	-	-	-	-	-	
Industrias Bachoco	-	7.8	-	4.9	-	-	-	-	-	
Organización Soriana	Yes	3.3	-	3.3	-	-	-	-	-	
Grupo Herdez	Yes	-	-	-	-	-	-	-	-	
Mission Produce	-	-	-	-	-	-	-	-	-	
Calavo Growers	-	16.3	-	12	-	-	-	-	-	
Cargill	Yes	30	-	28.2	-	67	2°C aligned 2025 & 2030 target	-	D	• 2022 Oxfam Behind the Brands Agribusiness Scorecard score of 43%.
Grupo Lala	Yes	12.2	-	7	-	-	-	-	-	
Driscoll's	-	11.9	-	2.4	-	-	-	-	-	
Andrew & Williamson	-	-	-	-	-	-	-	-	-	
California Giant Berries Farm	-	-	-	-	-	-	-	-	-	
Sigma Alimentos	Yes	21.6	-	17.7	-	-	Well below 2°C aligned 2027 target	-	-	• *Parent company, Alfa, is a UNGC member.*
Kekén	-	-	-	-	-	-	-	-	-	• *Parent company, Grupo Kuo, is a UNGC member.*
Beta San Miguel	-	-	-	-	-	-	-	-	-	• *Nine Beta San Miguel mills in Mexico are listed as UNGC members.*
Zucarmex	-	-	-	-	-	-	-	-	-	
Berrymex	-	-	-	-	-	-	-	-	-	

VI. Status of Sustainable Investing in Mexico

As discussed in Section I, an emerging international legal, regulatory, and normative context drives consideration of SDG-related issues among investors globally. Mexican companies and investors are influenced by these wider trends, as well as relevant domestic legislation, regulation, and other sustainable initiatives in the country.

A. Sustainable Investing Uptake in Mexico

In Mexico, estimates of the amount of assets managed using ESG criteria vary, but sources agree the growth in investor interest in the past several years has been rapid.[74] This has created increasing interest and incentives for companies who want to attract these investment flows, including Mexican food sector companies, to take steps to be more transparent about how environmental and social issues pose risks to their businesses.

Many Mexican food sector companies also have deep connections to international markets, which expose them to different sustainability-related expectations. For example, the Dow Jones Sustainability Index-Markets Integration in Latin America (MILA) Pacific Alliance Index includes Wal-Mart de México, Arca Continental, Coca-Cola FEMSA, and FEMSA.[75] Notably, many of the largest food sector companies in Mexico are subsidiaries of larger parent companies based in the US or Europe (e.g., Walmart, Ab Inbev, and Heineken). These large multinationals demonstrate in their sustainability reporting an understanding of their connection to SDG-related issues. However, researchers find there are many Mexican companies, particularly those that do not rely on access to international funds, that have little to no relevant reporting. What reporting these firms do have tends to be unverified and partial, only highlighting what companies do well and ignoring other issues.[76]

When it comes to climate, more Mexican firms have reported on specific commitments and targets. For example, a 2023 OECD report on sustainability practices among Latin American companies across sectors found that either due to shareholder requests or proactively, companies that account for 69% of Mexico's market capitalization have publicly disclosed GHG emissions targets, exceeding the regional average of 58%. Notably, however, this falls below the shares in the UK of 84% and in the European Union of 81%.[77]

Some Mexican investors are paying more attention to the impacts and impact management practices of their portfolio companies. In an interview with CCSI, an ESG professional for a Mexican pension fund, or AFORE (*Administradoras de Fondos para el Retiro*),[78] described their own investment strategy as being concerned with systemic risk. The professional said, "As a pension fund, beneficiaries will access their funds in forty years when they retire, so it's important what impact our decisions have on the world in the long-term. If we return to them ten times what they invested, but the world is 3°C warmer and food is scarce, that really matters to their quality of life in retirement."

In 2018, the Green Finance Advisory Board (*Consejo Consultivo de Finanzas Verdes*) launched a statement signed by fifty-one institutional investors acknowledging that ESG information is an important source for risk analysis and the need for standardized national criteria for ESG disclosures in line with international best practices. In the statement, the signatories commit to integrating ESG factors in their analysis of investment and decision-making processes.[79]

There are currently at least thirty-seven members of Principles for Responsible Investment (a UN-sponsored international network of financial institutions working on ESG issues) with headquarters in Mexico, pointing to their interest in ESG.[80] A small but growing number of financial institutions in Mexico (and globally) have adopted policies that recognize their roles in to addressing adverse environmental and social impacts. SURA Investment Management has a sustainable investment policy in which it says active ownership shall be used as a mechanism to influence investee companies "as part of our fiduciary duty while seeking a positive impact for both society and the environment."[81] At least four Mexican financial institutions have adopted human rights policies or public statements of commitment.[82]

Despite these improvements to policies and disclosure, CCSI interviews and research found limited evidence of Mexican investors conducting ongoing sustainability due diligence linked to enterprise-level risk assessments and shareholder engagement based on these assessments. To the extent Mexican investors engage directly with companies, they are more likely to do so with companies outside of Mexico, in part due to the difference in available relevant information.

The OECD's 2021 survey of asset managers in Latin America found that, while a majority consider sustainability matters when investing, engaging with companies, and voting in shareholder meetings, only 25% of surveyed large asset managers in Mexico said they review the sustainability or ESG disclosures of all of their portfolio companies, which is lower than the large asset managers in Brazil, Costa Rica, and Peru. In Mexico, 50% said ESG risks and opportunities affect their investment decisions and only 33% said they affect their decisions when in direct dialogue with directors and officers of listed companies, which are both lower than respondents from most other Latin American countries. However, interestingly, 67% reported they would consider filing or co-filing an ESG-related shareholder resolution.[83]

Overall, there is an opportunity to strengthen Mexican investors' understanding of and engagement on the SDG-related performance of food sector companies in Mexico.

B. Mexican Legal Context for Investors

To keep up with global market and legal trends, the Mexican government has made changes to the legal framework to mainstream sustainable investing.

Overall, the corporate regulatory approach in Mexico adopts a traditional materiality perspective, emphasizing financial risk mitigation, and favors the self-regulation of companies over proactively regulating their conduct.[84] Mexico adheres to a 'shareholder primacy' view, in which directors "typically need to consider only shareholders' financial interests while complying with the applicable law and ethical standards." [85] Interests beyond those of shareholders can be considered, but only to the extent that those interests may be relevant for creating long-term shareholder value. Unlike many countries, directors in Mexico are given a degree of discretion, including to consider long-term sustainability risks, under the 'business judgment rule.'[86] However, some Latin American countries go further. For example, Brazilian law requires directors "to consider stakeholders' interests and the social and environmental stakes of a company's activity."[87]

Thus, while the provisions outlined below may draw attention to sustainability and create space for company and investor action, neither of them mandate or drive action on the part of firms that are not already interested.

(1) General Provisions Applicable to Issuers of Securities and Other Participants of the Securities Market (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a otros participantes del mercado de valores*)

According to these General Provisions adopted in 2018, publicly listed companies are expected to publish an annual report, including whether they have policies and projects related to sustainability.[88] A 2023 OECD report characterizes these Provisions as creating a binding regulatory requirement for companies to report on sustainability.[89] However, in effect, they do not require substantial sustainability-related reporting on the part of companies and reporting on environmental and social sustainability performance is not yet mandatory in Mexico.[90]

Some Latin American countries' corporate disclosure requirements go further. For example, in 2021, Chile adopted a regulation mandating companies, banks, insurance companies, and general fund managers to report on ESG-related issues, including information on: climate, commitments related to the SDGs, and adherence to the UNGPs.[91]

(2) General Provisions on Financial Matters for Retirement Savings System (*DISPOSICIONES de carácter general en materia de operaciones de los Sistemas de Ahorro para el Retiro*)[92]

Issued in 2018, these Provisions state that, by January 2022, pension funds, or AFORES, must incorporate ESG factors into their investment strategies.[93] However, the text of the Provisions is more permissive than prescriptive, opening the door for investors who choose to integrate ESG risk into their risk assessment. AFORES are given discretion to choose whatever ESG frameworks, factors, and metrics they wish to integrate, which "could potentially serve the table for a tokenistic approach."[94] While this may send a signal to the market that ESG is important, without stronger requirements, CCSI interviewees reflected that the General Provisions do not appear to have driven AFORES that were not previously integrating ESG into their risk assessments to do so.

In Colombia, rules have been adopted for pension funds and insurance companies to integrate ESG and climate risks in their investment policies and governance arrangements.[95] Beyond pension funds, other Latin American countries, including Peru and Brazil, have adopted rules on integrating human rights into ESG risk assessment and management.[96]

C. Key Sustainable Investment Initiatives in Mexico

In addition to legislative and regulatory measures, the Mexican government has advanced other initiatives and tools to support sustainable business and investment. These at least demonstrate that there is interest in the sustainability topics on the part of the Mexican government.

Most recently, in March 2023, Mexico published its Sustainable Taxonomy (*Taxonomía Sostenible de México*), which – unlike other 'green' taxonomies – includes gender equality and mentions human rights.[97] The Taxonomy serves as a tool to inform investors and encourage investment in sustainable activities in Mexico, rather than a regulatory requirement for companies or investors. However, the Taxonomy document notes that, since the beginning of 2023, and from within the Sustainable Finance Committee

(*Comité Finanzas Sostenibles*, or CFS), Mexican financial authorities have begun working to design and evaluate possible ESG regulatory measures related to the Taxonomy to promote capital mobilization and mitigate greenwashing.[98] The planned regulation would focus on disclosure of information related to the Taxonomy and developing financial instruments aligned with sustainability and social responsibility.[99] There are a number of important limitations of taxonomies that could be addressed in this process.[100]

The Mexican federal government and some state governments have also made efforts to promote sustainability bonds in recent years, which has led to increased investment, particularly by AFORES, in these bonds. While the trend is upwards, these investments by AFORES still only make up a small share – approximately 2% – of their total assets.[101] Since 2020, Mexico has issued a UNDP-endorsed SDG Sovereign Bond "to increase sources of financing for development and contribute to the achievement of the 2030 Agenda goals" in the country.[102] The bond is issued under Mexico's "Sovereign Bond Framework of the SDGs."[103] Overall, Mexico has raised "more than $12.5 billion from sustainability bonds since it started issuing in 2020 – of which more than $4.4 billion has been in local currency," making the Mexican peso "a key currency for the sustainable bond market," beating out the Swedish krona and Canadian dollar in 2023.[104] In July 2023, Mexico raised MXN23 billion ($1.4 billion USD) from a 12-year sustainability sovereign bond, "which is believed to be its largest local currency sustainable bond issued to date."[105] The proceeds will reportedly be used for conservation, renewable energy, food security, and climate change adaptation, among other things.

Among the prominent issuers of Mexican peso-denominated deals in 2023 are Grupo Bimbo; BBVA México (or Bancomer), the largest financial institution in Mexico; local development banks FIRA and the Development Bank of Mexico; and the European Investment Bank.[106] Grupo Herdez, a publicly traded Mexican food company, also issued a sustainability-linked bond in 2022 linked in part to its commitment to reduce the intensity of its water consumption, making it the first stock market bond linked to sustainability in the food industry in Mexico.[107]

In 2020, the Mexican stock exchange (*Bolsa Mexicana de Valores*, or BMV) and S&P Dow Jones Indices jointly launched the S&P/BMV Total Mexico ESG Index, which includes companies based on the results of a corporate sustainability assessment conducted by S&P Global.[108] The full methodology is not public, and the exclusion criteria only affect the limited companies classified as "Non-Compliant" by the UN Global Compact and companies with business activities related to tobacco and controversial weapons.[109] The index includes thirty of the 140 companies listed on the BMV, including Arca Continental, Grupo Bimbo, FEMSA, Banorte, Coca-Cola FEMSA, and Walmart de México.[110] Two other indexes, S&P/BMV IPC ESG Tilted Index and S&P/BMV IPC CompMx Trailing Income Equities ESG Tilted Index, have not made public their complete list of indexed companies.[111]

The BMV has also established the listing requirements for Capital Development Certificates (*Certificados de Capital de Desarrollo*, or CKDs) and Investment Project Certificates (*Certificados de Proyectos de Inversión*, or CERPIs) under the categories of ESG and impact funds. The criteria for ESG funds include implementing ESG aspects in investment processes, including risk analysis and implementation of an ESG strategy, and having an ethical code and diversity and inclusion policy, among other things. Impact funds must also have independent third-party verification that the resources will be directed towards green, social, or sustainable projects in eligible sectors. Both types of funds are required to publish an annually audited sustainability report to the BMV, adhering to Global Reporting Initiative (GRI) and International Sustainability Standards Board (ISSB) criteria.

VII. Investor Influence over Companies in Mexico

There are some general characteristics of the private sector context in Mexico that present challenges and opportunities for investors seeking to influence food sector companies.

Globally, institutional ownership of listed companies has increased over the past two decades.[112] In the United States and the United Kingdom, institutional investors represent the largest category of owners, holding 69% and 61% of the equity, respectively. However, in Mexico, uniquely in Latin America, the largest category is strategic owners (individuals and family members), holding 34% of the listed equity. Private corporations are the second largest category of owners, with approximately 20% of the equity.[113] Institutional investors represent the third largest category, at 19%, making them important, but less dominant than in many other OECD countries. Of this 19%, non-domestic institutional investors hold a larger equity share than domestic ones.

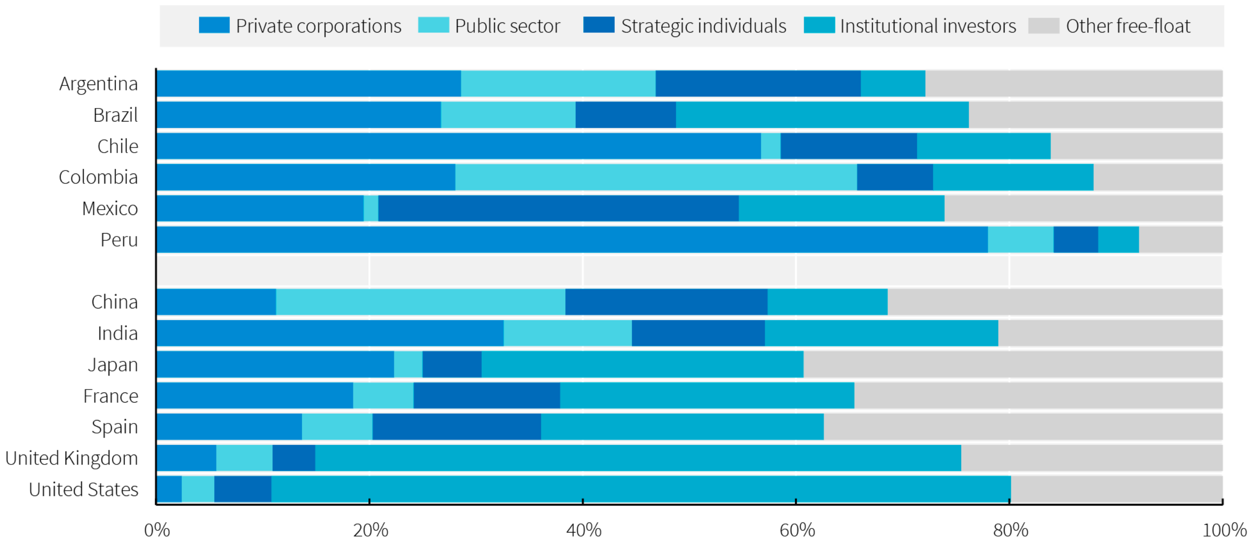

Figure 2. Investor holdings at country level, end-2021 , adapted from Figure 2.2 in the OECD's 2023 report [114]

Note: "Other free-float" refers to the holdings by shareholders that do not reach the threshold for mandatory disclosure of their ownership records or retail investors that are not required to do so.

There is a great deal of concentration and control by large shareholders within individual companies in Latin America. In Mexico, the average holding of the largest shareholder of a company as of 2021 is 44.8% and the average combined holdings of the top three investors is 55.9%.[115] In many cases, these large shareholders are the founding family of the company. In fact, as of January 2023, Mexico ranked ninth (tied with India) among countries where the world's 500 largest family enterprises are headquartered (including the Mexican food sector companies Grupo Bimbo, Alfa, Chedraui, Arca Continental, Soriana, Gruma, Grupo Lala, Industrias Bachoco and foreign food sector companies covered in this report Walmart, Cargill, Anheuser-Busch InBev, and Constellation Brands).[116]

Family members often control their companies in terms of both their majority ownership of the firm's shares and long-standing family bonds and relationships of trust within the company's Board of Directors and management. For five of the eight Mexican food companies on the list of the top 500 family enterprises, family members own over 50% of the shares (this exceeds 70% for Chedraui, Grupo Lala, and Industrias Bachoco). For seven out of the eight, 18% or more of their board seats are filled by family members (50% for Industrias Bachoco and 71% for Soriana). For five of the eight, their CEOs are family members.[117]

This power concentration limits other investors' influence. It may also hamper good corporate governance.[118] The Emerging Markets Investors Alliance notes that high concentration in emerging market companies can expose them to risks related to their ownership structure and minority shareholder rights (including "the pursuit of private gain by controlling shareholders and a disparity between economic stakes and voting rights"). There is also a risk of incompetent executive management because they are often tightly coupled with ownership, which can minimize board oversight that might be marked by a "lack of independent directors, succession planning, and compensation disclosure."[119]

Seeking to address these challenges related to concentrated ownership in Mexico – and to improve investors' interest, confidence, and trust in the Mexican market – some investors have advocated for governance reforms to address the unfavorable treatment of minority shareholders. In 2017, a group of large US-based asset managers and owners urged regulators, the BMV, and public issuers to mandate the elimination of corporate bylaws' provisions that give majority shareholders and management at the largest firms power to block the Board nominations of minority shareholders.[120] Within one month, the BMV announced it recommended, but has not yet required, issuers to address one of the investors' concerns: providing more than the statutory minimum 15-day notice for annual shareholder meetings.[121]

In this context, the potential for any kind of effective shareholder engagement with companies in Mexico, on environmental and social sustainability issues or otherwise, is limited. According to an overview of corporate governance in Mexico on Lexology, "in Mexico there are no shareholder groups or proxy advisory firms whose views are often considered in policy/regulation-making and enforcement. Shareholders follow the advice of their boards and legal advisors."[122]

Globally, in the growing field of shareholder engagement and collaboration among shareholders, many of the organizations leading these efforts work with US-, UK-, and European-based investors to engage, primarily, with companies in those countries. Investors have relatively less experience, guidance, and thus confidence engaging with companies in emerging markets, including Mexico. This applies to both investors in and outside of Mexico and is also true when it comes to engaging in collective action on corporate governance issues, in which institutional investors in Mexico have limited experience.[123]

Table 3 below lists the top equity holders for the influential companies identified in this report, some of which are likely more responsive to engagement due to their foreign domiciles and listings. Their top equity holders may have influence to engage with them to advance their SDG-alignment. The top equity holders were identified using Bloomberg data based on the approximate percentages of their outstanding shares as of August 2023.

<table>
<tr><th>Company (Stock Exchange for Public Equities)</th><th colspan="2">Top Equity Holders' Approximate Percentage of Outstanding Shares as of August 2023 (Source: Bloomberg)</th></tr>
<tr><td>Amazon (NASDAQ)</td><td colspan="2">Jeffrey Bezos: 9.6%
Vanguard: 7.0%
Blackrock: 5.9%
State Street Corp: 3.3%
FMR LLC, 2.7%</td></tr>
<tr><td>Walmart (NYSE)</td><td>Walton Enterprises LLC: 37.2%
Walton Family Holdings Trust: 8.7%
Vanguard: 5.1%
Blackrock: 3.7%
State Street: 2.2%</td><td>Subsidiary: Walmart de Mexico (BMV)
Intersalt S de RL de CV: 70.51%
Blackrock: 1.8%
JP Morgan: 1.3%
Vanguard: 1.2%
Invesco: 1.1%</td></tr>
<tr><td>Nestlé (SIX Swiss Exchange)</td><td colspan="2">Blackrock: 4.3%
Vanguard: 3.6%
Societe des Produits Nestle SA: 3.0%
Norges Bank: 2.9%
Capital Group: 2.5%</td></tr>
<tr><td>Coca-Cola (NYSE)</td><td colspan="2">Berkshire Hathaway: 9.3%
Vanguard: 8.6%
Blackrock: 7.0%
State Street: 4.0%
Geode Capital Management: 1.8%
JPMorgan Chase: 1.8%
Morgan Stanley: 1.8%</td></tr>
<tr><td>PepsiCo (NASDAQ)</td><td colspan="2">Vanguard: 9.5%
Blackrock: 8.0%
State Street: 4.3%
Geode Capital Management: 2.0%
Morgan Stanley: 2.0%</td></tr>
<tr><td>Costco (NASDAQ)</td><td colspan="2">Vanguard: 9.0%
Blackrock: 6.9%
State Street: 4.3%
FMR: 2.1%
Morgan Stanley: 2.0%</td></tr>
<tr><td>Anheuser-Busch Inbev (EuroNext Brussels)</td><td colspan="2">Stichting Anheuser-Busch Inbev: 33.4%
EPS Participation Sarl: 6.8%
Vanguard: 1.7%
Blackrock: 1.6%
BRC Sarl/Luxemburg: 1.4%
Capital Group: 1.1%</td></tr>
<tr><td>Target (NYSE)</td><td colspan="2">Vanguard: 9.5%
Capital Group: 7.5%
State Street: 7.4%
Blackrock: 7.0%
Bank of America: 2.5%</td></tr>
<tr><td>Heineken (NYSE EuroNext Ams-terdam)</td><td colspan="2">Heineken Holdings NV: 50.4%
Fomento Economico Mexicano SAB de CV: 5.1%
Blackrock: 2.3%
Vanguard: 1.6%
Morgan Stanley: 1.2%</td></tr>
<tr><td>Constellation (NYSE)</td><td colspan="2">RRA&Z Holdings LLC: 11.2%
Capital Group: 8.9%
Vanguard: 7.4%
Blackrock: 6.2%
State Street: 3.8%</td></tr>
</table>

FEMSA (BMV, NYSE)	**BMV** Blackrock: 4.6% Vanguard: 3.5% Blackrock Mexico: 1.8% Norges Bank: 1.0% Corporative GBM: 0.7% **NYSE** Cascade Investment LLC: 12.9% First Eagle Investment: 5.1% Harding Loevner LP: 4.0% Schroders PLC: 2.7% RBC Global AM: 2.2%	**Subsidiary: Coca Cola FEMSA (BMV)** Blackrock: 19.7% Gates Melinda French: 4.8% Vanguard: 4.1% Blackrock Mexico: 2.0% Bill and Melinda Gates Foundation: 1.2% Grupo Financiero BBVA: 1.0% **Subsidiary: Coca Cola FEMSA (NYSE)** Bill and Melinda Gates: 11.8% Gates Melinda French: 4.9% Tweedy Browne Company: 3.5% Goldman Sachs Group: 2.1% Robeco Institutional: 1.9%
Kroger (NYSE)	Vanguard: 11.5% Blackrock: 8.3% Berkshire Hathaway: 7.0% State Street: 4.7% Sanders Capital: 3.1%	
Ahold Delhaize (EuroNext Ams-terdam)	Blackrock: 5.6% Goldman Sachs Group: 4.8% Vanguard: 3.5% State Street: 3.1% Norges Bank: 2.9%	
Grupo Bimbo (BMV)	Banchile: 2.5% Actinver SOFI SA: 2.1% Natixis: 1.2% Blackrock: 0.9% Robeco Schweiz AG: 0.8%	
Arca Continental (BMV)	Credit Agricole Group: 4.6% M&G PLC: 2.8% Janus Henderson Group: 2.8% Ibercaja Gestion: 2.7% Allianz: 2.6%	
Gruma (BMV)	Barrera Descendants Shareholder Group: 51.5% Blackrock: 2.2% Vanguard: 2.1% FMR LLC: 1.9% Southeastern Asset Management Group: 1.7%	
Grupo Comercial Chedraui (BMV)	Vanguard: 1.8% Grupo Financiero Citibanamex: 1.6% Operadora Inbursa: 1.4% Dimensional Fund Advisors: 0.8% FMR LLC: 0.7%	
Industrias Bachoco (BMV)	Edificio del Noroeste: 24.2% Control and Family Trust: 24.2% Norges Bank: 0.2% Tweedy Browne Company: 0.1% Grupo Fin Banamex: 0.01%	
Organización Soriana (BVM)	Grupo Financiero Citibanamex: 41.08% HSBC AM Mexico: 18.3% Grupo Financiero Scotiabank: 18.2% Ixe Fondos SOSI: 14.2% Actinver SOFI: 13.8%	
Grupo Herdez (BMV)	Hechos con Amor SA de CV: 62.1% Cooperativo GBM SAB de CV: 5.0% Blackrock: 1.7% Dimensional Fund Advisors: 1.0% Ixe Fondos: 0.9%	
Mission Produce (NASDAQ)	Taylor Fresh Foods: 13.1% Beldar Enterprises: 11.7% Nuance Investment LLC: 6.2% Barnard Stephen: 6.0% Blackrock: 4.7% Vanguard: 3.9%	

Calavo Growers (NASDAQ)	Blackrock: 15.7% Nuance Investments: 11.4% Vanguard: 7.8% State Street: 3.6% Clearbridge, LLC: 3.6%	
Cargill	Private	
Grupo Lala	Private (debt, but not equity: BMV)	
Driscoll's	Private	
Andrew & Williamson	Private	
California Giant Berries Farm	Private	
Sigma Alimentos	Private	**Parent: Alfa (BMV)** Vanguard: 3.1% Blackrock: 2.2% Norges Bank: 1.7% Blackrock Mexico: 1.5% Dimensional Fund Advisors: 1.4%
Kekén	Private	**Parent: Grupo Kuo (BMV)** Mestre Fernando Senderos: 47.7% Grupo Financiero Citibanamex SA de CB: 5.7% Bailleres Gonzalez Alberto: 2.1% Corporativo GBM: 2.1% Operadora Inbursa Sa de CV/Mexico: 1.5%
Beta San Miguel	Private	
Zucarmex	Private	
Berrymex	Private	

VIII. Recommendations for Investors

This section provides recommendations for investors seeking to support the SDG-alignment of the Mexican food sector by effectively engaging to prevent and mitigate portfolio companies' negative impacts.

As this report has elaborated, there are significant limitations on investor leverage given contextual factors in Mexico. In light of these constraints, these recommendations highlight pragmatic avenues for engagement that appear to hold promise even if they have limitations.

These recommendations are for investors focused on the more impactful approach of using their leverage to drive SDG-alignment and avoid systemic risk by constructively influencing portfolio companies, rather than focusing on portfolio composition via divestment and exclusion. Such engagement supports Mexico's sustainable development and may also support Mexican companies in attracting investment from firms focused on SDG-alignment and systemic risk.

A. Recommendations for Effective Shareholder Engagement

Effective engagement in this context is: (a) collaborative; (b) focused on companies' most severe negative impacts; (c) focused on the most influential, impactful, and responsive companies; and (d) grounded in civil society and expert engagement and SDG-aligned standards.

1. Collaborative Engagement with Companies

Because of the limitations of shareholder influence in Mexico, investors should prioritize maximizing what leverage they have. The best way to do so is by working collaboratively to engage in constructive dialogue with target companies.

As discussed above, the high prevalence of concentrated family ownership in Mexico, among other factors, limits the opportunities for investor influence in the biggest Mexican food companies. Because any individual investor's leverage over a company via shareholder engagement is typically limited, investors should work together to increase their leverage.

These collaborative engagements could be initiated and coordinated by individual investors or through investor platforms, alliances, or associations. Such platforms can also be useful in building investor capacity and sharing lessons on effective engagement, which can help address gaps in awareness and expertise among investors. However, membership in investor initiatives on its own has a limited ability to drive impact. Instead, investors should be actively engaged in advancing the work of their membership initiatives, including by signing investor statements and actively engaging in dialogues with companies.

Because of the challenges described in Section VII above, shareholder resolutions with Mexican companies have not frequently been pursued and are unlikely to succeed. However, there is interest among Mexican and foreign investors in filing and co-filing resolutions on SDG-related topics.[124] While building leverage among large shareholders to support filing resolutions with Mexican companies should be explored, resolutions will be more likely to succeed if they are filed with U.S. stock exchange-listed companies with connections to the Mexican food sector (in particular, foreign companies that have value chain business relationships with the Mexican food sector, including parents or subsidiaries of Mexican food sector companies).[125]

Investors can collaboratively engage with companies by joining forces:

- With Other Shareholders: Investors can collaborate with other firms with shareholdings in a target company because their shareholdings can add up to make them more influential.
- Across Asset Classes: Additionally, investors can be creative in engaging with other investors across asset classes, both within and beyond their own institution. In particular, they can explore collaborative engagements across asset classes that may have more leverage over a target company than public equity investors, including lenders and bond investors. Investors may also have leverage over banks by holding their shares. Where this is the case, investors can ensure those banks that lend to target companies are assessing and addressing their social and environmental risks. Where public equity investors are part of a corporate group with different asset classes, investors should explore engaging with their counterparts to support the coherence of their engagements to avoid working against one another in engaging target companies.

For investors that do not directly participate in shareholder engagement, they should set expectations for those that act on their behalf to undertake meaningful engagements with companies. These include:

- Proxy Advisors: Investors should request their proxy advisors develop custom policies to engage with the Mexican food sector on their SDG-alignment in line with the recommendations in this section.[126]
- Asset Managers: Asset owners should set mandates and expectations of their asset managers that they effectively engage with portfolio companies to influence them to manage their SDG-related impacts in line with the recommendations in this section.[127]

2. Prioritize Issues Based on Need, Severity, and Likelihood of Negative Impacts

As this report does, investors should take a context-specific approach to what is needed in Mexico to support its achievement of the SDGs. When determining what issues to focus on in engagements, investors should prioritize issues where there is most need in the country and where the negative impacts on people and the environment companies can be involved with are the most severe and likely.[128]

Investors should use data on the countries' progress on SDG targets to identify areas of need. They should use civil society and journalistic reports to get information about companies' impacts on these areas and to determine the likelihood of companies in the sector being connected to severe impacts (see Section III above).[129]

PROPOSED CATALYTIC PRIORITY ISSUES FOR SHAREHOLDER ENGAGEMENT

As covered in Section III above, it is challenging to limit the priority issues for Mexico's food sector. This report proposes investors seeking to address the food sector's SDG-related impacts in Mexico prioritize what CCSI's Handbook refers to as 'catalytic interventions': those with potential to drive positive change across multiple SDGs.[130] These include protecting and respecting the rights of and facilitating the meaningful participation of actors who are both vulnerable and critical to Mexico's SDG achievement, including human rights defenders, Indigenous Peoples, smallholder farming communities, and workers. Below are brief descriptions of some relevant catalytic issues that could be advanced through shareholder engagement:

- By **advancing workers' and farmers' rights to freedom of association and collective bargaining**, which are not fully protected in Mexico, investors can improve the extent to which workers' voices are heard and integrated into business decision-making, which enables respect for all other labor rights.[131]
- By **meaningfully including farming communities in decision-making around shifting agricultural practices and compensating them sufficiently to live prosperous lives while adopting such practices**, they can be incentivized to adopt and maintain more sustainable agricultural practices.[132]
- By **advancing civic space and the protection of journalists and human rights defenders** (including Indigenous, land, and environmental defenders) who are at heightened risk in Mexico (see Section III above), investors can enable the transparency, accountability, participation, and partnerships necessary to achieve the SDGs[133] and the protection of various systems, including the planet's biodiversity and climate.[134] There are many helpful resources available on this topic, including: public investor letters,[135] guidance on the role of financial institutions[136] and companies,[137] and a leading commitment from a food sector company.[138]

3. Focused on Influential and Impactful Companies

Investors or investor groups should identify target companies they are invested in based on their size, influence, and negative impacts in the country. The information on influential and potentially responsive companies provided in this report may be used as a tool in doing so.

Where their leverage over Mexican companies is limited (due to concentration and other challenges discussed in this report), investors should consider engaging with the foreign parent companies or business relationships of Mexican companies in order to influence them to manage their impacts in Mexico. As laid out above, engaging with grocery stores and agricultural suppliers may be an alternative way to influence food and beverage companies and the whole sector (e.g., engaging with Walmart to address Walmart de México's negative impacts or with Kroger to set expectations for Berrymex's or Grupo Bimbo's management of negative impacts).

4. Grounded in Civil Society and Expert Engagement and SDG-Aligned Standards

To inform and support their engagements, investors and investor groups should engage with local civil society organizations and experts, and, where possible, impacted people and communities. These stakeholders can help investors identify and assess priority issues, share information about the influence and impacts of specific companies in the country, help identify issues for engagement with those companies, help vet the veracity of responses from companies, and recommend additional avenues for influence available to investors. There can also be valuable complementarity between parallel 'insider' investor approaches and 'outsider' advocacy efforts. Investors can benefit from building relationships with and even partnering with civil society organizations to inform and support their company engagements.

The SDGs, compared to other sustainability-related frameworks, appear to be particularly persuasive for framing engagements with companies in Mexico,[139] in part given the attention they receive in the Mexican political sphere.[140] However, as discussed in Section II above, because the SDGs themselves do not make clear what companies can and should do to contribute to achieving them, many companies in Mexico have taken CSR- or philanthropic-style approaches to the SDGs that do not focus on their fundamental responsibility to do no harm.

Thus, while using the SDGs to frame engagements in Mexico is strategic, grounding the expectations communicated to companies in the international standards used in emerging legal sustainability frameworks, and food sector-specific guides that elaborate on these standards, is particularly important. The Handbook for SDG-Aligned Food Companies[141] (summarized in Section II) provides guidance across all SDG-related topics relevant to the food sector and draws from the globally agreed upon framework of the UNGPs and OECD Guidelines for Multinational Enterprises.

Investors should be open to engaging with companies on all issues relevant to SDG-alignment (laid out in the Handbook as twenty-one issues, and including issues like lobbying[142]), and as such, should seek information relevant to each of these issues. To assist in evaluating a company's transparency, performance, and demonstrated ability to manage relevant issues, leading benchmarks focused on SDG-related topics (see the Appendix) should also be used. The benchmarks highlighted in Table 2 and the Appendix have specific indicators on all relevant issues, including the proposed catalytic priority issues above, that can be leveraged by investors in their engagements with companies.

B. Recommendations for Good Corporate Citizenship Beyond Shareholder Engagement

In addition to shareholder engagement, an important way investors can advance SDG achievement is by ensuring their own direct and indirect engagements with policymakers and other government actors support, and do not undermine, Mexico's achievement of the SDGs.

Where appropriate, investors should support government efforts both in and outside of Mexico to advance Mexico's SDG-achievement on specific policy issues and on fostering an enabling environment for respect for human rights and environmental protection. This includes supporting efforts to: hold companies accountable for their negative externalities; mandate robust disclosures on SDG-related impacts; mandate human rights and environmental due diligence processes; and protect civic space and human rights and environmental defenders.[143]

In addition to policymakers, investors should request ESG data providers more closely scrutinize food sector companies' SDG-related impacts and performance in Mexico, drawing on the SDG-related benchmarks included in the Appendix. They can also support benchmarks in including more Mexican food sector companies and reviewing Spanish-language disclosures in their assessments.

Appendix: Information on Benchmarks and Other Relevant Initiatives

UN Global Compact (UNGC) Membership:[144] The UNGC is a voluntary initiative based on CEO commitments to implement universal sustainability principles by operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption. UNGC Membership signifies a company has committed to these principles, to taking steps to support UN goals, and to reporting on its performance (UNGC reporting for each member is available at the links in Table 2).

2023 World Benchmarking Alliance (WBA) Food & Agriculture Benchmark Score:[145] The WBA Food and Agriculture Benchmark assesses the disclosure of 350 of the largest and most influential food and agriculture companies on key topics underpinning the food systems transformation agenda (largely aligned with the issues covered in the Handbook for SDG-Aligned Food Companies, as discussed in Section II above). Taking a holistic approach, the benchmark assesses companies across forty-six indicators on governance and strategy, environment, nutrition, and social inclusion. This benchmark has been used in government initiatives, including the G7, which asked WBA to use the benchmark to measure progress of company signatories to the G7 Sustainable Supply Chain Initiative.[146] It was also used to help develop Canada's National Index on Agri-Food Performance.[147]

2022 Corporate Human Rights Benchmark (CHRB) Score:[148] WBA's CHRB ranks companies on their policies, processes, and practices to respect human rights in their operations and supply chains, based on publicly available information. CHRB uses sector-specific methodologies, including for the food and agricultural products sector. Unique among WBA benchmarks, the CHRB assesses whether companies have publicly responded, taken appropriate action, and engaged with affected stakeholders regarding remedies related to external sources' allegations of serious negative human rights impacts. The influential proxy advisor Institutional Shareholder Services (ISS) states it uses CHRB to identify and measure companies' financially material social risks and evaluate human rights-related shareholder proposals.[149]

2023 WBA Nature Benchmark Score:[150] WBA's 2023 Nature Benchmark assessed the same 350 companies across the food and agriculture value chain covered by the WBA Food & Agriculture Benchmark. This benchmark covers how they are reducing their negative impacts on nature and contributing to the protection and restoration of ecosystems. The Benchmark focuses on nature and in doing so also assesses companies on their governance, strategy, social inclusion, and community impact (including on respecting the rights of Indigenous Peoples, local communities, and human rights defenders).

2022-2023 KnowTheChain (KTC) Food & Beverage Benchmark Score:[151] The KTC Food & Beverage Benchmark assesses companies' policies and processes to address forced labor risks in their supply chains. Its methodology is based on the UNGPs and the ILO core labor standards are used as a baseline. Beyond policy commitments on forced labor, KTC assesses: preventative measures, including supporting freedom of association and access to effective grievance mechanisms; and company responses to publicly available allegations of forced labor and whether they provide a remedy affected workers find satisfactory.

2021 Ceres Feeding Ourselves Thirsty Score:[152] In this benchmark, Ceres assesses how food sector companies are responding to water risks. In 2021, Ceres evaluated thirty-eight food companies in four industries with the highest exposure to water risks: Agricultural Products, Beverages, Meat, and Packaged Foods. This group includes some of the largest U.S.-based and publicly traded companies, as well as a small number of large private and non-U.S. companies. Companies were assessed based on their public disclosures across four categories of water management: Governance (22%), Risk Assessment (28%), Targets (36%), and Implementation (14%).

SBTi Near-Term Target:[153] Near-term targets outline how organizations will reduce their emissions by 2030 or an earlier year. Under SBTi's methodology, companies marked as 'committed' have committed to developing near-term targets, but have not yet had these targets validated by SBTi. Those that fail to submit targets within 24 months are identified as having had their 'commitment removed.' Where targets have been validated by SBTi, they are noted as being 1.5°C-, well-below-2°C, or 2°C-aligned by 2030 or an earlier year. Importantly, temperature alignment under SBTi's methodology is only provided for most companies' scope 1 and 2 targets, while most companies' scope 3 emissions represent the majority of their emissions across all scopes. There are a number of limitations to SBTi's methodology, as discussed in CCSI's 2023 "Finance for Zero" report,[154] but it currently provides a benchmark to compare a wide range of companies.

SBTi Net-Zero by 2050 Target:[155] SBTi requires companies to have near-term targets validated before they can have net-zero targets validated. Under SBTi's methodology, companies marked as 'committed' here have committed to developing both near- and long-term net-zero by 2050 targets (and where noted, a net-zero by 2040 target), but have not yet had these targets validated by SBTi. Near-term targets are described above, and long-term targets indicate the degree of emission reductions organizations need to reach to achieve net-zero according to SBTi's Corporate Net-Zero Standard criteria.

LobbyMap Climate Policy Engagement Score:[156] Through its LobbyMap Scores, InfluenceMap provides rankings on lobbying on climate policy around the globe for the 500 companies and 250 industry associations covered in the LobbyMap database. Total scores are determined by combining a company's direct climate policy engagement with that of its industry associations to determine the company's support for Paris-aligned climate policy. Where InfluenceMap's analysis detects limited direct and indirect engagement with climate policy, the company's score is listed as 'N/A.' LobbyMap provides data to the Climate Action 100+ investor process.

2023 Ceres Food Emissions 50 Company Benchmark:[157] In 2021, Ceres benchmarked Food Emissions 50 companies on their greenhouse gas emissions disclosure and reduction targets. Companies are not given a total score, but have scores broken down across the following areas, with sub-criteria within them: emissions disclosure; emissions reduction targets; disclosure of progress against targets; growth and innovation strategy; corporate procurement strategies and supply chain implementation; operations, waste, and transportation; customer engagement; and quantification of strategy against emissions reduction targets.

2022 Oxfam Behind the Barcodes Supermarket Scorecard Score:[158] Oxfam's Supermarket Scorecard scores twelve leading supermarkets with the greatest potential leverage on their supply chains, with a focus on companies from the UK and Europe. The scorecard assesses their supply chain policies and practices on human rights across four pillars: Transparency and Accountability; Workers; Small-Scale Farmers; and Women.

2022 Oxfam Behind the Brands Agribusiness Scorecard Score:[159] The Oxfam Agribusiness Scorecard scores the publicly disclosed human rights policies and practices of the seven largest agribusiness companies based on "the size and scale of their sourcing volumes of key food commodities, including cocoa, sugar, soy, rice and palm oil, among others," as well as their importance in lower-income country 'hot spots' for social and environmental challenges. They are scored across five themes: Women; Land; Climate; Small-Scale Producers; and Transparency and Accountability.

2021 Access to Nutrition Initiative (ATNI) Global Access to Nutrition Index Score:[160] This index scores the world's 25 largest food and beverage manufacturers on their efforts to increase consumers' access to nutritious products. The index's total score covers: Governance (12.5%); Products (35%); Accessibility (15%); Marketing (20%); Workforce (2.5%); Labeling (10%); and Engagement (5%). Within the Products category, ATNI estimates the percentage of a company's overall global sales that are derived from healthy products.

2022 ATNI Spotlight on Lobbying:[161] In 2022, ATNI conducted an in-depth benchmark of the world's 25 largest food and beverage companies' lobbying policy commitments, management systems, and disclosures against the Responsible Lobbying Framework (RLF), with a focus on nutrition-related public health measures. The RLF is considered a leader among corporate political responsibility reporting initiatives.[162] It was developed to help organizations adopt corporate practices that ensure lobbying activities are legitimate, transparent, consistent, and accountable, while allowing other, more resource-constrained groups to lobbying in the public interest. The benchmark does not score actual lobbying activities or expenditures, but rather a company's relevant public standards, positions, and disclosure.

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