Press Release

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EMERGING MARKETS: LEVELING THE ESG PLAYING FIELD

Companies operating in emerging markets are progressively catching up with their developed market peers in terms of Environmental, Social and Governance (ESG) transparency and performance, despite significant country variations

The integration of Environmental, Social and Governance (ESG) issues into business practices by emerging market companies has improved over the past few years, according to the new **Eurosif Emerging Markets Report**. Although lower than in developed markets and with different country implementation levels, ESG integration by companies operating in emerging market economies is on the rise, with investors playing a role in shaping and developing the market.

The research of the report was provided by sustainability rating organisation and researcher **Inrate**. A steering committee comprised of representatives from Bank Sarasin, Robeco, ECPI and Pictet Asset Management provided their expertise and input to help shape this report.

The report discusses ESG integration and reporting by companies operating in emerging markets, and the increasingly significant role that these economies play, due to their rapid economic growth and their large populations. As the emerging market asset class is increasingly forming a part of global investment portfolios, a strong momentum towards sustainable emerging market investments is developing.

Matt Christensen, Executive Director of Eurosif states, *"emerging market economies are often finding ways to weather the global financial crisis with greater resilience than their developed market counterparts. As a consequence, investors will be requiring better ESG transparency and performance measures from companies in these regions as capital allocations increase."*

"Emerging market economies have been exhibiting over-average growth grates for many years. In this context, investors can contribute to a more sustainable future in these markets by directing capital towards companies that are able to innovate and grow whilst enlarging the country's environmental and social capital," comments Philippe Spicher, CEO of Inrate.

The report shows that among emerging markets, South Africa and Latin American companies tend to be the most advanced in integrating ESG issues. The research also highlights that, although corporate disclosure on sustainability is present in 9 out of 10 companies in the emerging markets, this figure drops when it comes to external verification or the adoption of standardised guidelines.

While 42% of emerging market companies support the adoption of environmental policies, they remain weaker on implementation and progress tracking. Chinese companies underperform significantly in the area of social issues integration in business strategy, with below average performances on labour and corruption policies. Nevertheless, pressure on emerging market companies is expected to grow, as emerging market economies play an increasingly important role in international sustainability issues.

"The timing is perfect now to start using an ESG screen for emerging market investments, says Andreas Holzer of Bank Sarasin. "*Environmental laws in emerging markets become tougher, employees and consumers are more demanding on social and consumption issues. Companies ready to meet these challenges have clear competitive advantages.*"

Finally, the report points to a series of practices that might help guide investors to shape and develop their sustainability investment practices in emerging markets. For example, existing company ESG disclosure and reporting initiatives (such as CDP, GRI, the OECD Guidelines, etc.) can be useful tools for investors to facilitate the development of local corporate stakeholder capacities.

The Emerging Markets Report, to be launched on December 7, 2010 at an event in Zurich hosted by Inrate, is available for download at the following link:
http://www.eurosif.org/publications/sector_theme_reports

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Note to the Editors

Eurosif

Eurosif (the European Sustainable Investment Forum) is a pan-European network and think-tank of national Sustainable Investment Forums whose mission is to Develop Sustainability through European Financial Markets. Current Member Affiliates of Eurosif include institutional investors, financial service providers, academic institutes, research associations and NGOs. The association is not-for-profit entity that represents assets totaling over €1 trillion through its Member Affiliates. For more information, please visit: www.eurosif.org.

Eurosif publishes four sector and thematic reports annually. These documents continue to aid policy makers, companies and mainstream and specialist SRI investors to understand various risks and that are not consistently integrated into traditional financial analysis, but which have the potential to influence companies' shareholder value and fund managers' investment decisions.

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Inrate AG

Inrate Ltd is a leading independent sustainability rating agency active in Europe. It is based in Switzerland and was created through the merger of Centre Info Ltd and INrate Ltd in 2010. Inrate has more than 20 years of experience in linking its know-how on sustainability with the financial markets.

At present, Inrate covers about 2600 companies worldwide and provides tailor-made solutions for investors who wish to consider ESG issues in their investments – either on the grounds of socially responsible investment or with the aim of minimizing extra-financial risks in traditional investment. More information: www.inrate.com.

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