



Emerging Markets Disclosure Project

News Release

June 22, 2009

Major emerging market investors want more disclosure on ESG issues, global survey finds

**Brazil and South Africa Recognised for Most Progress on ESG disclosure;
Survey Respondents Represent \$130 Billion in Emerging Market Assets**

London - June 22, 2009 - Seven out of ten major asset managers and institutional investors collectively representing \$130 billion of emerging market investments cited lack of environmental, social and corporate governance (ESG) disclosure as the key challenge to investing in emerging markets. That is the main finding of a new survey from the Emerging Markets Disclosure (EMD) Project, an international coalition of investors and organizations working to improve sustainability disclosure by companies in emerging markets. The survey was analysed by EIRIS and sponsored by the International Working Group of the Social Investment Forum, which provided organizational support for the project.

The survey shows that at a time when increasing numbers of institutional investors are demanding more openness and transparency, poor ESG disclosure by emerging market companies threatens to undermine investor confidence and could potentially reduce investment allocations to emerging markets.

Survey respondents commended two emerging market countries - Brazil and South Africa - for having made the most progress towards greater ESG disclosure. Both countries have developed a sustainability index to which their listed companies can aspire through improved disclosure. The full survey findings report will be released on June 25th in New York City at the 'Integrating ESG into Portfolios' conference sponsored by Responsible Investor and the Social Investment Forum.

Survey Highlights

Brazil was the top country allocation and Petrobras (Brazil) was the top emerging market holding for investors who responded to the survey. The top five country allocations after Brazil also included China, India, Mexico and South Korea, respectively. The top ten individual company holdings were Petrobras, (Brazil), Samsung Electronics (South Korea), China Mobile (China), Taiwan Semiconductor (Taiwan), Teva (Israel), Vale Do Rio Doce (Brazil), America Movil (Mexico), Gazprom (Russia), Posco (Korea), and Ambev (Brazil).

Challenges, drivers and opportunities

- The biggest challenge of investing in emerging markets identified is a lack of corporate disclosure on ESG issues in emerging markets
- Key drivers for improved ESG disclosure include development of national sustainability indices, ESG listing requirements and influences of global standards and norms
- Improved corporate disclosure on ESG issues could persuade more responsible investors to increase their allocation to emerging markets

Differing approaches

- Europeans' allocation to emerging markets is nearly double that of North Americans in the sample
- Europeans are also much more likely to focus on corporate governance criteria and corruption issues within their responsible investment approach, while North Americans favour negative screening (e.g. screening out tobacco producers, divesting from Sudan)

Shared characteristics

- Three-quarters of respondents are members of at least one organization devoted to corporate social responsibility or responsible investing issues, most commonly the UN Principles for Responsible Investment
- Nearly two thirds had at least six years of experience in emerging markets

The investors who commissioned the survey encouraged emerging market companies, stock exchanges and regulators to respond to the challenge laid by the survey results. "While the results are encouraging, the survey demonstrates the continued need for greater ESG transparency in emerging markets. Analysts need ESG disclosure in order to identify the most sustainable companies in which to invest," said Mike Lombardo, Senior Sustainability Analyst of Calvert Investments, who is EMD Project's South Africa country team lead.

Lauren Compere, Senior Vice President of Boston Common Asset Management and the EMD Project's Korean country team lead, said, "As a global responsible investor, Boston Common would like to increase our investment opportunities in emerging markets. We are encouraged by the initiative taken by some of our emerging market holdings, including Samsung Electronics and Posco, to increase their level of ESG reporting. We hope that the survey findings will help articulate the need for better ESG disclosure by a broader set of emerging market companies."

Sonia Wildash, report author and Senior Researcher at EIRIS, said "Emerging markets hold significant opportunities for responsible investors. But if they are to better understand emerging market company ESG risks and opportunities, then corporate communication to investors clearly needs to improve. An engagement approach among emerging market investors should seek to improve the corporate responsibility and disclosure practices of companies."

Seth Freeman, CEO & Chief Investment Officer of EM Capital Management and the EMD Project's India country team lead, noted, "In light of India's high domestic economic growth and increasing global impact, the opportunities and potential outcomes of expanding ESG reporting in India are as diverse and large as the India Story itself." Melissa Brown, Director of IDFC Global Alternatives, LTD and former Executive Director of ASrIA, also noted that, "Asian companies are slowly, and sometimes impressively, building the structures they need for ESG reporting. Unfortunately, it is an iterative process. They need more stakeholder feedback in order to target their efforts. In order to get more investor feedback, they need to start reporting. This is where the EMDP can play a critical role. By providing engagement with local and foreign investors, the EMDP serves as a valuable catalyst for better ESG disclosure."

Click [here](#) or visit www.eiris.org/files/research%20publications/emdpinvestorsurveyjune09.pdf for a link to the full report "Emerging Markets Investor Survey Report: An analysis of responsible investment in Emerging Markets;" by EIRIS.

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Notes to editors

The EMD Project (EMDP) is an international coalition of investors and organizations working to improve sustainability disclosure by companies in emerging markets. This project is currently in the third phase (direct corporate engagement with companies in emerging markets) and under the coordination of Boston Common Asset Management, Calvert Asset Management, Inc., the International Finance Corporation (IFC), and the International Working Group (IWG) of the U.S. Social Investment Forum. (www.socialinvest.org/projects/iwg).

EIRIS is a leading global provider of independent research into the environmental, social, and governance, (ESG), and ethical performance of companies. With over 25 years experience of conducting research and promoting responsible investment strategies, EIRIS now provides services to more than 100 asset owners and asset managers globally. (www.eiris.org).

The Social Investment Forum is the US national nonprofit membership association for professionals, firms and organizations dedicated to advancing the practice and growth of socially responsible investing (SRI). (www.socialinvest.org).

Boston Common Asset Management is an employee-owned social investment firm serving individual and institutional investors, offering U.S. large cap equity, balanced portfolios, international and small cap products. Boston Common tailors portfolios to each client's social and financial goals, combining prudent investment management, diligent in-house social research, and path-breaking shareholder advocacy. (www.bostoncommonasset.com).

Calvert Investments is an investment management company, known as a leader in Sustainable and Responsible Investments (SRI). Calvert offers investors among the widest choice of SRI strategies of any investment management company in the United States. More information is available at www.Calvert.com/SRI

EM Capital Management, LLC is a SEC registered investment adviser specializing in emerging and frontier markets 40 Act and private funds and managed accounts. EM Capital Management is creating some of the first ESG/SRI emerging markets products for the U.S. market and has a strong India-focus including serving as the EMD Project India country team lead (www.emcapitalmanagement.com).