



Companies in emerging markets catching up on environmental, social and governance issues

Some emerging market companies now match the performance of their peers in developed countries on environmental issues, but many more lag behind on human rights

Corporate responsibility, long seen as the preserve of companies in developed economies, is gaining ground in developing countries according to a [review of ESG practices in 40 large emerging market companies](#) - a new report published by Sustainable Investment Research Analyst Network (SIRAN), a working group of the Social Investment Forum (SIF).

SIRAN has partnered with global sustainable investment specialists EIRIS to assess 40 leading companies in ten emerging markets against key environmental, social and governance (ESG) criteria, including indicators on board practice, bribery, human rights, labor standards in the supply chain, health and safety, environment, climate change and biodiversity. Countries assessed in the study include Brazil, China, India, Indonesia, Israel, South Korea, Malaysia, Mexico, Russia and South Africa.

This report illustrates how the largest corporations in developing economic markets are addressing ESG issues and highlights the risks and opportunities these issues present to investors in emerging markets.

Key findings include:

- **Progress** - most companies show evidence of addressing at least some environmental, social and governance issues. This highlights opportunities for investors to encourage further progress by engaging with companies to seek better corporate disclosure.
- **Best performers** - the South African and Brazilian companies in the sample stood out overall as consistently having the highest assessments. One reason may be that their local stock exchanges have each launched a responsible investment index.
- **Climate change** - in analyzing companies by sector, disclosure related to climate change was strongest amongst companies in the resource sector, but even so, half of the 12 resource companies had no evidence of climate change disclosure.



- **Human rights** – almost all (93%) of companies assessed on this issue received only a ‘limited’ grade for their human rights policies. No companies achieved a grade higher than ‘limited’ for their human rights systems or reporting.
- **Health and safety** - all but two of the 12 companies in the resource sector, where health and safety is a major concern, showed some evidence of policies in this area.
- **Bribery** - most companies publicly disclosed some kind of anti-bribery policy. However, a majority of companies did not have a clear anti-bribery system nor showed evidence of reporting on their anti-bribery initiatives and only disclosed limited details of their management systems and performance.
- **Board governance** – more than 80% of the companies disclosed their remuneration to directors, and 70% separated the positions of board chair and CEO, but fewer than half had boards where one-third of the directors were independent.

Emerging markets are becoming the focus of international corporate responsibility initiatives. Emerging Markets Disclosure Project (EMDP), an international initiative spearheaded by SIF has surveyed the state of sustainability reporting in several emerging markets and has a sign-on statement for investors encouraging emerging market companies to improve sustainability reporting.

Meg Voorhes, Research Director of the Social Investment Forum, said: ‘This report demonstrates that the demand for corporate responsibility and disclosure is truly global, and that companies in emerging markets are beginning to respond and, in some cases, leading the way. Socially responsible investors should take to heart the report’s call for thoughtful dialogue with emerging market companies.’

Stephanie Maier, Head of Research at EIRIS said: ‘Increasingly, responsible investors are focusing on emerging markets as they seek to diversify their equity investments. This research will help investors to identify ESG risks and opportunities which exist beyond developed markets when constructing their responsible investment strategies.’

Click here (http://www.siran.org/pdfs/Emerging%20Markets%20Paper%20_%20FINAL.pdf) to download a copy of the report

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Notes to editors:

1. The research is based on the evaluation of 40 companies comprising the largest four companies by market capitalisation from ten large emerging markets countries: Brazil, China, India, Indonesia, Israel/South Korea, Malaysia, Mexico, Russia and South Africa. EIRIS assessed the companies on issues identified by the United Nations Global Compact including environment, climate change, biodiversity, human rights, supply chain and bribery. Utilizing EIRIS criteria the assessments were based primarily on publicly available information including annual reports, sustainability/CSR reports, company documents and company websites.
2. About SIRAN and the Social Investment Forum - The Sustainable Investment Research Analyst Network (SIRAN), a working group of the Social Investment Forum (SIF), is an analyst network that supports more than 150 North American social research analysts from 30 investment firms, research providers, and affiliated investor groups. The Social Investment Forum is the U.S. national nonprofit membership association for professionals, firms and organizations dedicated to promoting the practice and growth of socially responsible investing (SRI). Critical to responsible investment practice is the consideration of environmental, social and corporate governance criteria in addition to standard financial analysis. Forum members support SRI through portfolio selection analysis, shareholder advocacy and community investing. For more information, see <http://www.siran.org> and <http://www.socialinvest.org>.
3. EIRIS (www.eiris.org) is a leading global provider of independent research into the social, environmental governance and ethical performance of companies. EIRIS, a UK-based organisation with offices in the US and France together with its international research partners, has a wealth of experience in the field of responsible investment research. EIRIS provides comprehensive research on around 3,000 companies in Europe, North America and the Asia Pacific region. EIRIS is already retained by 100 institutional clients including pension and retail fund managers, banks, private client brokers, charities and religious institutions across Europe, North America, Australia and Asia. EIRIS has developed a comprehensive suite of products to help investors assess their portfolios and design investment strategies in response to the challenge of a carbon-constrained economy. For more information on EIRIS' products and services visit www.eiris.org or email: clients@eiris.org

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