



Emerging Markets  
Investors Alliance  
Actionable Intelligence for Responsible Investing

# Perspectives on ESG in Emerging Markets

October 2020

# Introduction

- The **Emerging Markets Investors Alliance** is a not-for-profit that brings together emerging markets investors, companies, governments and policy experts.
- We seek to **promote best practice** in governance, environmental stewardship and social responsibility.
- Our primary activities are: (1) **educating investors** about ESG issues; 2) connecting investors with companies and policy experts to promote **best practice**.
- We are made up of **former finance professionals**. I was a sell-side research analyst for nearly 20 years.

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# Our theory of change

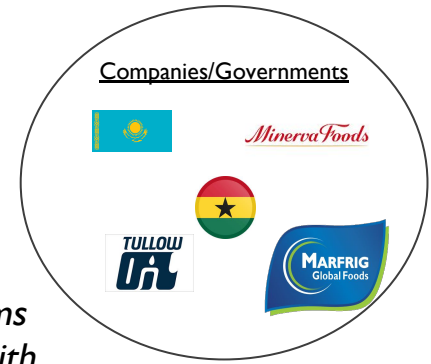
The Alliance curates policy experts and connects them with investors and issuers (publicly listed companies and governments) to foster education and drive advocacy on material issues.



*The Alliance engages the world's leading policy experts to educate the EM investment community on material issues.*



*The Alliance organizes forums for advocacy with issuers. Forums include policy experts, issuers, and investors.*



# Does ESG matter? Just follow the money

## ESG Exchange Traded Funds (AUM)



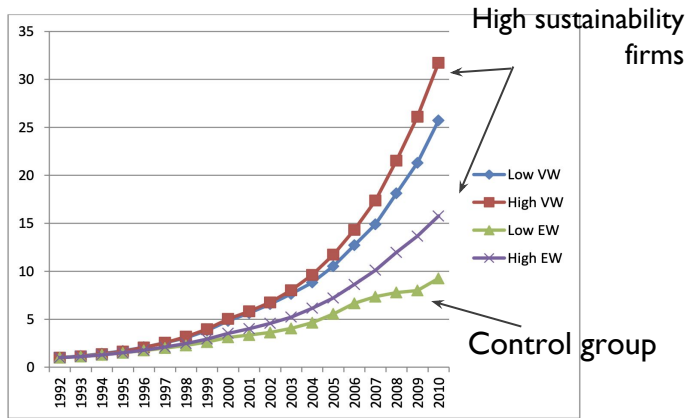
## Issuance of Green Bonds



- ***ESG is one of few active strategies seeing inflows***

# ...and the evidence is that ESG helps performance

## Evolution of \$1 of equity



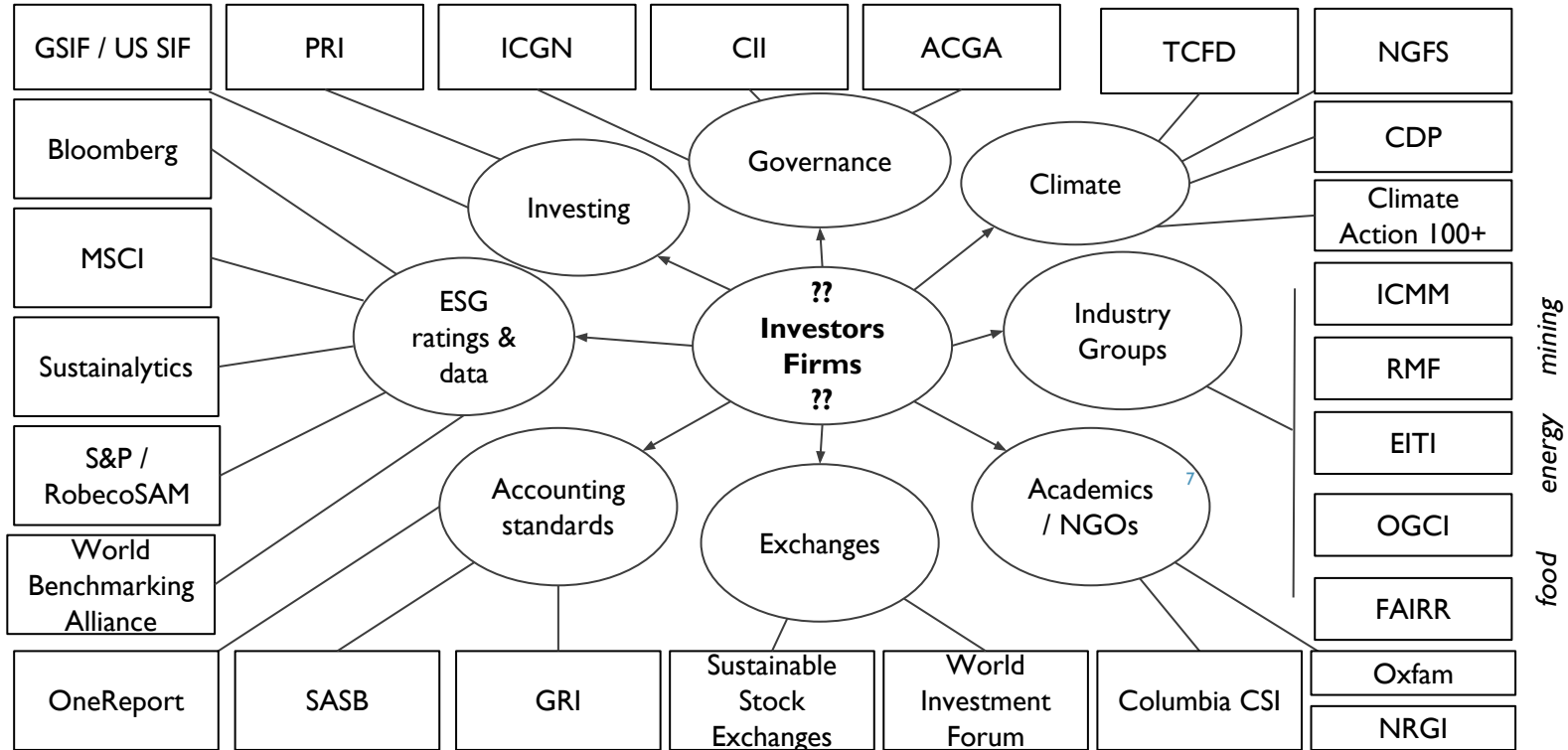
*“Organizations that voluntarily integrate environmental and social policies in their business model represent a **fundamentally distinct type of the modern corporation**... High Sustainability companies **significantly outperform their counterparts** over the long-term, both in terms of stock market as well as accounting performance.” \**

\* [“The Impact of Corporate Sustainability on Organizational Processes and Performance”](#) Eccles, Ioannou, Serafeim

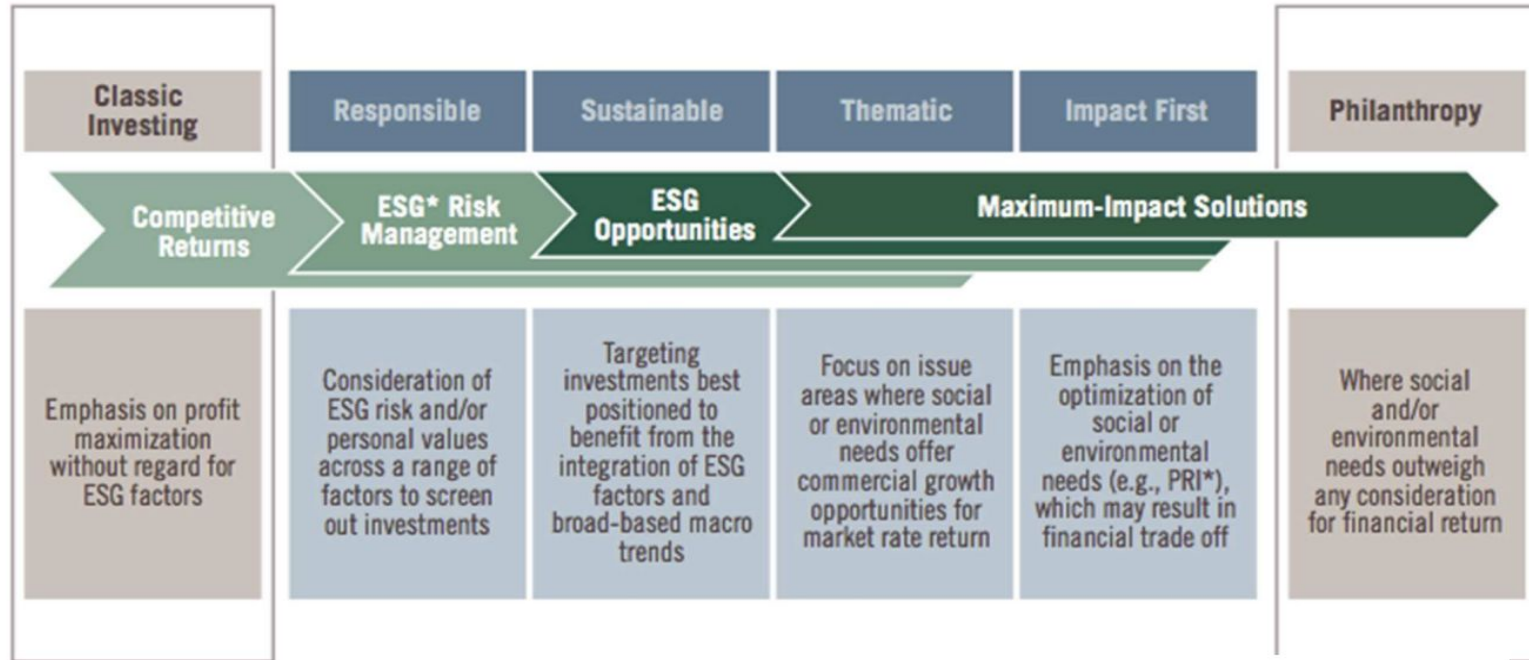
# But for a company, “doing ESG” is no easy task



# And the deeper you look the more you'll find



# For investors, a spectrum of ESG approaches



- ***“Screening” is out. “Integration” and “Stewardship” are in.***



# First step is identifying what is material...

## SASB's "Universe" of sustainability issues

### Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

### Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



### Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

### Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

### Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

# ...And the deeper you go, the more nuanced it gets

## SASB Materiality Map

		Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	Resource Transformation	Services	Technology & Communications	Transportation
<b>Dimension</b>	<b>General Issue Category</b> <sup>Ⓞ</sup>	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions											
	Air Quality											
	Energy Management											
	Water & Wastewater Management											
	Waste & Hazardous Materials Management											
	Ecological Impacts											
Social Capital	Human Rights & Community Relations											
	Customer Privacy											
	Data Security											
	Access & Affordability											
	Product Quality & Safety											
	Customer Welfare											
Human Capital	Selling Practices & Product Labeling											
	Labor Practices											
Business Model & Innovation	Employee Health & Safety											
	Employee Engagement, Diversity & Inclusion											
	Product Design & Lifecycle Management											
Leadership & Governance	Business Model Resilience											
	Supply Chain Management											
	Materials Sourcing & Efficiency											
	Physical Impacts of Climate Change											
Leadership & Governance	Business Ethics											
	Competitive Behavior											
	Management of the Legal & Regulatory Environment											
	Critical Incident Risk Management											
	Systemic Risk Management											

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# At the Alliance, several issues dominate the debate

Extractive Industries	Agri / Food	TMT	Debt & Fiscal
Community Consent	Deforestation	E-waste	Fiscal transparency
Tailings / Waste	Animal welfare	Data security	Debt relief
Energy transition minerals	Antibiotics	Energy efficiency	Covid response
Payments transparency	Water & waste		
Water management	Child/forced labor		
Emissions / Carbon transition			

# Helping investors hone in on the key issues

**When time is short: what are 4-5 key questions to ask management in a meeting?**

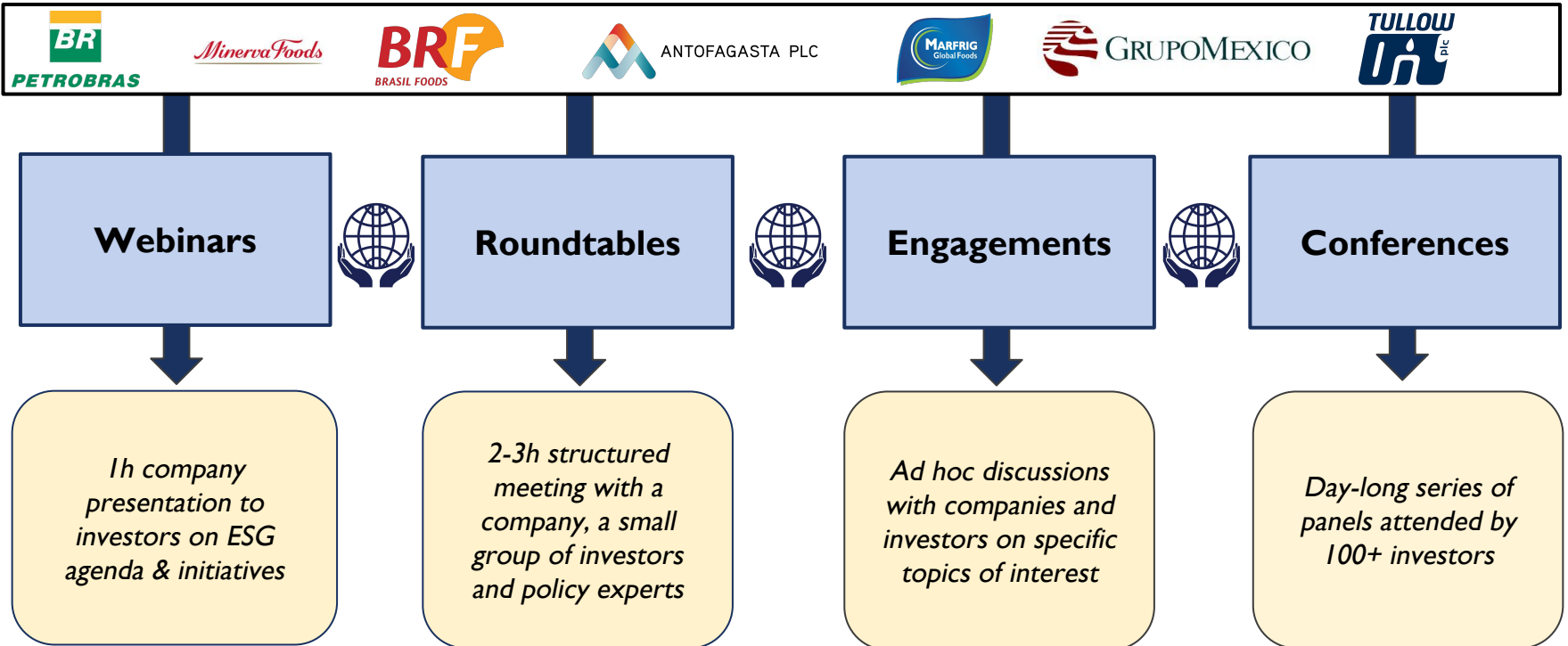
## ***On Community Consent***

1. What are your **formal commitments on human rights and community issues**?
2. Have you established **community consultation and consent-seeking processes** that engage communities to consider their views prior to making decisions that affect their lands and resources?
3. What is your approach to including **indigenous peoples**, communities with customary land rights, women, youth and persons with disabilities into your planning?"
4. Have you adopted policies committing to **refrain from retaliation against activists** or human rights defenders?"

## ***On Tailings / Waste***

1. Are you **committed to the new Tailings Standard**?
2. Would you **consider adoption of a more rigorous tailings framework**, such as the recommendations in [Safety First Guidelines](#)?
3. **Could you commit to:** a ban on upstream TSF design; a ban on aqueous tailings release; limits to TSF density; appropriate financial assurance and public liability insurance.
4. Consider **technologies** that reduce tailings footprints such as filtered tailings, in-situ leaching and designer tailings.
5. Commit to **management of and disclosure on all mining waste**, including waste rock or heap leach facilities, in addition to tailings.

# Helping companies connect on ESG



# THANK YOU!

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