

# **Investor Statement on Sustainability Reporting in Emerging Markets June 2008**

## **Introduction**

Global institutional investors representing over \$960 billion in assets under management encourage companies in emerging markets to provide better information on their management of environmental, social, and corporate governance (ESG) issues. Often called “sustainability reporting”, such information can help investors determine which companies are best positioned to deliver strong long-term investment performance.

Companies increasingly understand that effective management of sustainability challenges and opportunities can contribute directly to financial success by:

- Allowing companies to reach a broader range of investors
- Achieving greater operational efficiency
- Improving enterprise-wide risk management
- Making more strategic capital expenditures decisions
- Enhancing customer loyalty and developing new customers
- Improving brand positioning
- Developing market leadership

However, in order for such actions to be properly valued by financial markets, companies must disclose information about their ESG programs and the progress made toward meeting specific ESG business objectives. For this reason, over 2,300 global companies, including more than half of the global Fortune 250, issued sustainability reports in 2006.<sup>1</sup>

## **Sustainability Disclosure in Emerging Markets**

As the role of emerging market companies in the global economy increases, so do investor expectations for these companies. Emerging markets represent important investment areas, but a lack of transparency can hamper potential investment. Specifically, investors often do not have enough information on the manner in which companies in emerging markets have assessed and responded to risks and opportunities related to sustainability issues—and how these risks and opportunities might affect future financial performance and valuation.

In particular the signatories of this statement encourage all companies to enhance transparency by working towards:

- Providing regularly updated ESG disclosure in financial reports or in specialized sustainability reports, focusing on the most material business risks and opportunities.

- Setting clear goals and disclosing progress towards meeting targets.
- Utilizing the Global Reporting Initiative (GRI) framework in preparing their reports. At a minimum, we recommend that companies list exactly which GRI indicators are addressed in their reports as part of a “GRI Index.”
- Continually improving reporting based on feedback from key stakeholder groups, including both financial stakeholders and non-financial stakeholders, such as employees, customers, and relevant community and civil society groups.

### **Why Sustainability Reporting**

Disclosing environmental and social performance data is critical to investors for evaluating:

- Financial health and risk management, as this information augments financial analysis by indicating material risks and potential liabilities that are often overlooked by general accounting standards.
- Management quality, as ESG issues management can be used as a proxy for strong corporate governance and serve as an indicator of a company’s overall management quality.
- Competitive positioning, as firms in emerging markets are increasingly competing globally and will be assessed according to their ability to comply with evolving international standards such as the European Union’s Restriction of Use of certain Hazardous Substances Directive (RoHS) and the Waste Electrical and Electronic Equipment Directive (WEEE) regulations. In addition, home country standards are changing quickly and creating opportunities for companies with forward looking environmental and labor policies and programs to distinguish themselves.
- Growth potential, as there is a large and growing body of evidence indicating that companies that are pro-active environmental stewards, responsive corporate citizens, and strong employers, are more likely to create long-term shareholder value.

### **Why the GRI**

We urge companies to use the GRI Sustainability Reporting Guidelines (“Guidelines”) to inform company reporting, and in so doing, increase the credibility, comparability, and utility of their reporting efforts. A GRI-based report also serves as a strong “Communication on Progress” for corporate signatories of the Global Compact.

The Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org)) is an international organization developed by businesses working with a broad base of global organizations. The GRI provides guidance on sustainability reporting process

and content through the GRI Guidelines, a flexible reporting system that allows companies to focus on the issues most relevant to company operations.

More than 1,000 organizations globally currently use the GRI Guidelines in developing their sustainability reporting. A recent report by the Sustainable Investment Research Analyst Network (SIRAN) showed that 27% of large emerging market companies in three sectors now reference GRI in their public sustainability reporting.<sup>2</sup>

### **Conclusion**

This group of signatories believes that the next generation of leading companies will distinguish themselves through their commitment to sustainability, as demonstrated through robust sustainability reporting, and will be correspondingly rewarded by the market.

### **Signatories:**

**Australian Ethical Investment Ltd.**

**Batirente**

**Boston Common Asset Management, LLC**

**Calvert**

**Clean Yield Group**

**DnB NOR Asset Management**

**Dexia Asset Management**

**Domini Social Investments LLC**

**E. Capital Partners International SA**

**The Ethical Council (AP1, AP2, AP3, and AP4), Sweden**

**The Ethical Funds Company**

**F&C Management Limited**

**Frater Asset Management**

**Government Employees Pension Fund of South Africa**

**Harrington Investments, Inc.**

**Henderson Global Investors, Sustainable and Responsible Investment**

**Inhance Investment Management, Inc.**

**Macif Gestion**

**MMA**

**Mn Services N.V.**

**Neuberger Berman Socially Responsive Fund**

**New York City Pension Funds**

**NorthStar Asset Management**

**Pax World**

**Santa Fé Portfólios**

**SNS Asset Management N.V.**

**Trillium Asset Management Corporation**

**Walden Asset Management, a division of Boston Trust & Investment  
Management Company**

**Winslow Management Company**

## Affiliated Supporters:

Asset4

Association for Sustainable and Responsible Investment in Asia (ASrIA)

Brazilian Foundation for Sustainable Development (FBDS)

Brazilian Institute of Corporate Governance

Centre for Australian Ethical Research (CAER)

Centre Info

CERES

Ethical Investment Research Services Ltd. (EIRIS)

European Social Investment Forum (EuroSif)

Innovest

Jantzi Research Inc.

KLD Research & Analytics

RiskMetrics Group

Shareholder Association for Research and Education

Sustainable Ventures

## Coordinated by:

**SIRAN** 



Social Investment Forum  
International Working Group



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<sup>1</sup> [www.corporateregister.com](http://www.corporateregister.com)

<sup>2</sup> To review the full SIRAN report about the state of sustainability disclosure among certain emerging market companies, please see: [www.siran.org/EMD](http://www.siran.org/EMD).