



# Workshops

## **ESG in Emerging Markets: understanding the opportunity**

**Tuesday, May 22, 2018**

New York City

This workshop for asset owners provides the opportunity for detailed discussion of new research on emerging markets with a select group of service providers. Research presentations and small roundtable discussions will focus on ESG risks and opportunities in emerging markets allocations across asset classes. With major investors taking different approaches to integrating ESG analysis into their emerging market portfolios, the four sessions will help clarify challenges and opportunities in this process. The workshop format is designed for peer-to-peer learning in a focused setting. Only asset owners (pension funds, insurance companies, endowments etc.) and their appointed investment consultants will be invited to participate in these workshops.

### **ESG and the emerging markets opportunity**

The launch of the IFC's \$2bn emerging markets green bond fund is the latest signal of growing interest in emerging market ESG themes across all asset classes. Yet ESG reporting by emerging market companies remains mixed. Investors must be ready to ask detailed questions and engage across a range of ESG themes, including governance, inefficient capital structures, labour and supply chain issues, and environmental risk. Whether research is conducted internally or via a third party data provider, asset owners must consider how to manage and integrate heterogeneous ESG data into their investment processes in order to capture value from their emerging markets allocations.

### **Assessing ESG risk**

With the risk and return profile of emerging markets beginning to resemble that of developed markets, large asset owners are asking how to take advantage of these new opportunities. The divergence in results across emerging market countries and regions suggests that investors can implement more active mandates to take advantage of these differences. But emerging market opportunities entail significant ESG risks that must be considered. Corporate governance is of particular importance in regions with fewer external institutions to protect minority shareholder interests. Labor issues at extractive sector and manufacturing companies pose material risks to the continuity of business operations, financial profitability, and investment returns.

The process of ESG risk assessment and investment integration will vary across regions, countries, and asset classes, and between small and large cap companies. By some estimates, over a quarter of emerging market small-caps are not covered by analysts and for many more larger companies research remains limited. ESG factors are particularly important to consider when investing in emerging market corporate and sovereign debt due to the added potential for significant variations across countries. This workshop will provide practical insights into these challenges.

	<b>Agenda</b>
08:00	Registration & Light Breakfast
08:30	Welcome from Tony Hay, <i>Publisher, Responsible Investor</i>
08:40	<i>Setting the scene:</i> Understanding ESG characteristics of Emerging Market Sovereigns and Corporates Mervyn Tang, <i>Vice President, ESG Research, MSCI</i>
08:55	<i>Setting the scene:</i> Emerging market equities & stewardship Andrew Ness, <i>Portfolio Manager, Martin Currie Investment Management</i>
09:10	<p><i>Roundtable Discussion 1:</i> Refining an emerging markets focus</p> <ul style="list-style-type: none"> <li>- <i>Targeted mandates can express a view on a bloc of countries, or to manage specific sources of risk.</i></li> <li>- <i>If some countries seem likely to grow faster than others, does it make sense to try and pick winners?</i></li> <li>- <i>How to assess a country's transparency, political stability and level of protection of shareholder rights?</i></li> <li>- <i>How do ESG risks impact on the fundamental valuation analysis of emerging market companies?</i></li> </ul>
09:45	Networking Break
10:10	<p><i>Roundtable Discussion 2:</i> Stewardship in emerging market companies</p> <ul style="list-style-type: none"> <li>- <i>Engagement strategies to improve corporate governance</i></li> <li>- <i>Is there a quantifiable stewardship dividend in emerging markets?</i></li> <li>- <i>What tools are available to help investors focus stewardship activities on the most material issues?</i></li> </ul>
10:45	Guests change tables
10:55	<p><i>Roundtable Discussion 3:</i> Assessing ESG risk across asset classes</p> <ul style="list-style-type: none"> <li>- <i>What metrics can investors use to track ESG performance over time in emerging markets?</i></li> <li>- <i>Should investors use an existing set of ESG benchmarks or consider a bespoke framework for their emerging markets investments?</i></li> </ul>
11:30	<p><i>Panel Discussion:</i> Why now is the right time to act on the emerging markets ESG opportunity</p> <ul style="list-style-type: none"> <li>- <i>Internal capacity building and ESG risk assessments can take time to implement</i></li> <li>- <i>Issues to consider when creating a new ESG mandate or integrating ESG into an existing strategy</i></li> <li>- <i>How to present the ESG emerging markets opportunity to your CIO?</i></li> </ul> <p><b>Panelists:</b>  Mervyn Tang, <i>Vice President, ESG Research, MSCI</i>  Andrew Ness, <i>Portfolio Manager, Martin Currie Investment Management</i>  Further guest speakers TBC</p> <p><b>Discussion Leader:</b> Tony Hay, <i>Publisher, Responsible Investor</i></p>
12:00	Closing Remarks & Networking Lunch