FUTURE INVESTMENT INITIATIVE

FII REGIONAL SUMMIT

Inclusive ESG for Emerging Markets

Powered by

FII INSTITUTE
Future Investment Initiative Institute
Impact on Humanity

LONDON, UK | MAY 20TH, 2022

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WELCOME REMARKS FROM THE CEO OF FII INSTITUTE

If the planet has huge problems – its temperature has warmed up to ice-cap-melting levels and its accelerating loss of animal and plant species has been described as a sixth mass extinction – it also potentially has significant resources to devote to these problems. To stave off both the climate and biodiversity crises requires a level of international cooperation unprecedented in the history of the world. And yet financial markets are more connected than they have ever been and more motivated to bring about change. Globally, we have the means and resources to massively reduce poverty and hunger, using methods that will also be good for the environment.

ESG is part of the solution – a mechanism for directing capital to achieve environmental, social and economic improvement, while ensuring the returns that make markets function and have an impact on humanity.

The FII Institute has argued since 2019 that ESG, as most commonly interpreted, does not target investment efficiently at emerging economies. Now we offer a pathway forward. Our inclusive ESG initiative SHOULD help to bring emerging markets to the attention of investors, unlocking some of the vast resources that will be needed to transition to a just and low carbon world.

Let's invest in humanity!

Richard Attias

Richard Attias
CEO, FII Institute

ESG: A Driving Force in Today's Business World

Environmental, Social, and Governance (ESG) investing has become one of the most important forces in global business today, with ESG assets estimated to reach USD $53 trillion by 2025, comprising a third of the global AUM. While new frameworks and rating mechanisms continue to emerge, there are still many outstanding questions about how to effectively implement ESG in emerging markets each with their own specific economic, social, and cultural dynamics. With that in mind, the Future Investment Initiative (FII) Institute has convened a community of Global Heads of Sustainability, ESG, and Stewardship; CEOs; government officials; social innovators; next gen leaders and thought leaders; and other experts to work jointly on developing a more direct and robust roadmap for the future of ESG, particularly in emerging markets. Vital conversations and discussions have been initiated, all united to achieve one goal: shape the future of the global ESG agenda, and support investors with the tools and knowledge to drive sustainable and alpha-generating investment strategies.

The Summit at a Glance

FII Regional Summit on Inclusive ESG in Emerging Markets is the first in a series of in-person platforms to encourage sustainable investment. This first edition, held in May 2022 at London, UK, tackled key topics related to the future of ESG. It is to be followed by insights on the future of Sustainability, which will be covered in FII's 6th Edition scheduled for October 2022 at Riyadh, Saudi Arabia.

FII Regional Summit is supported by the Public Investment Fund as the founding partner and the Ministry of Investment in Saudi Arabia as the vision partner.

FII Institute is governed by an independent Board of Trustees comprising HE Yasir Al-Rumayyan, Governor PIF & Chairman Saudi Aramco; HRH Princess Reema Bint Bandar KSA Ambassador to the USA; Senator Matteo Renzi, Italian Senator for Florence (former PM); H.E. Mohamed Al Abbar, Founder & Chairman of EMAAR properties; Dr. Peter H. Diamandis, Founder of X-Prize Foundation & Singularity University; Professor Tony Chan, President of King Abdullah University of Science and Technology (KAUST); Professor Adah Almutairi, Professor of Pharmaceutical Chemistry at the University of California (UCSD) and Richard Attias, CEO of the FII Institute and the CEO & Founder of Richard Attias & Associates. These key individuals were entrusted with guiding and empowering the Institute to achieve its mandate through a strong ESG foundation, in service of humanity.

The "ESG in Emerging Markets" Summit featured more than 40 international leaders and experts who provided their insights on the future of ESG and the future of sustainability.

The Summit included keynote speakers H.E. Yasir Al-Rumayyan, Chairman of the FII Institute, Governor of the Public Investment Fund, and Chairman of Saudi Aramco; H.E. Dr. Yasmine Fouad, Minister of Environment of Egypt; Larry Fink, CEO of Blackrock; Lord Gerry Grimstone of Boscobel Kt, Minister of Investment of the UK; Vincent Keaveny, Lord Mayor of the City of London; among others.

The Institute has also convened a community of speakers that engaged in vital conversations to shape the future of the global ESG agenda, and support investors with the tools and knowledge to drive sustainable and alpha-generating investment strategies. Speakers included Noel Quinn, Group Chief Executive Officer of HSBC Holdings; David Schwimmer, CEO of London Stock Exchange Group; Hywel Ball, UK Chairman of Ernst & Young (EY); Rishi Kapoor, Co-CEO of Investcorp; Akash Shah, Chief Growth Officer of BNY Mellon; among others.

Partners in the Lead

Founding Partner

Vision Partner

Strategic Partners

The Summit in Numbers

350
Attendees

40
Speakers

18
Strategic Partners

16
Moderated Sessions

2
Strategic Partnerships Announced

1
Investment Announced

1
White Paper Released

1
Scoring Methodology Launched

Strategic Partnerships

The FII Institute is proud to announce its strategic partnership with

The Cultural Development Fund & MASAR

with the aim of achieving **sustainable development and enhancing positive impact on AI, Robotics, Education, Healthcare, and Sustainability.**

FII Institute Invests €500,000 in Leading Green Tech Company

TIMBETER

FII Institute has invested €500,000 in Timbeter, a global precision forestry company. The investment is part of the FII Institute's efforts to support the development of technologies that address the world's biggest social and environmental challenges.

Richard Attias, CEO of the FII Institute, said, **"We are delighted to partner with a leading green tech company like Timbeter. Through utilising machine learning technology and artificial intelligence, Timbeter is creating innovative solutions for the management of forests, which will help ensure sustainable practices across the timber industry".**

Anna-Greta Tsahkna, CEO of Timbeter, said, "The forestry sector needs digital transformation in order to become more sustainable, transparent and efficient. This collaboration with the FII Institute will enable Timbeter to deliver this important message to high-level decision makers, aiming to help countries mitigate climate change, fight against illegal logging and ensure sustainability across the sector."

With demand for timber growing, FII Institute's investment in Timbeter will help prevent illegal logging while sustaining the world's forests as a key source of habitation and livelihood.

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Keynote Speeches

Eithne Treanor, Founder & CEO, E.Treanor Media: **The Transition To A Green Economy: How CEOs View The Future Of ESG And Sustainability**

ESG Integration: From KSA to the World

The Kingdom of Saudi Arabia has recently adopted key initiatives and green projects in line with the Saudi Green Initiative's plan to reach net zero emission by 2060. Companies that are not improving their emission levels will be therefore directly hit at the level of their profits and losses.

With that in mind, PIF has recently announced a project to cover 600,000 households using solar energy panels and to build a hydrogen energy company. Aramco are following suit by announcing Net Zero by 2050.

However, accessibility to renewable energy is greater in Western Europe. This is why the world needs an "inclusive framework that takes into consideration the different needs and realities" of countries, expresses

H.E. Yasir Al-Rumayyan, Governor of the Saudi Arabia Public Investment Fund (PIF); Chairman of the FII Institute and Chairman of Saudi Aramco.

Inclusivity is important because accessibility to energy in emerging markets is not at the same level as the rest of the world.

- H.E. Yasir Al-Rumayyan, Governor, Saudi Arabia Public Investment Fund (PIF); Chairman, FII Institute; Chairman, Saudi Aramco

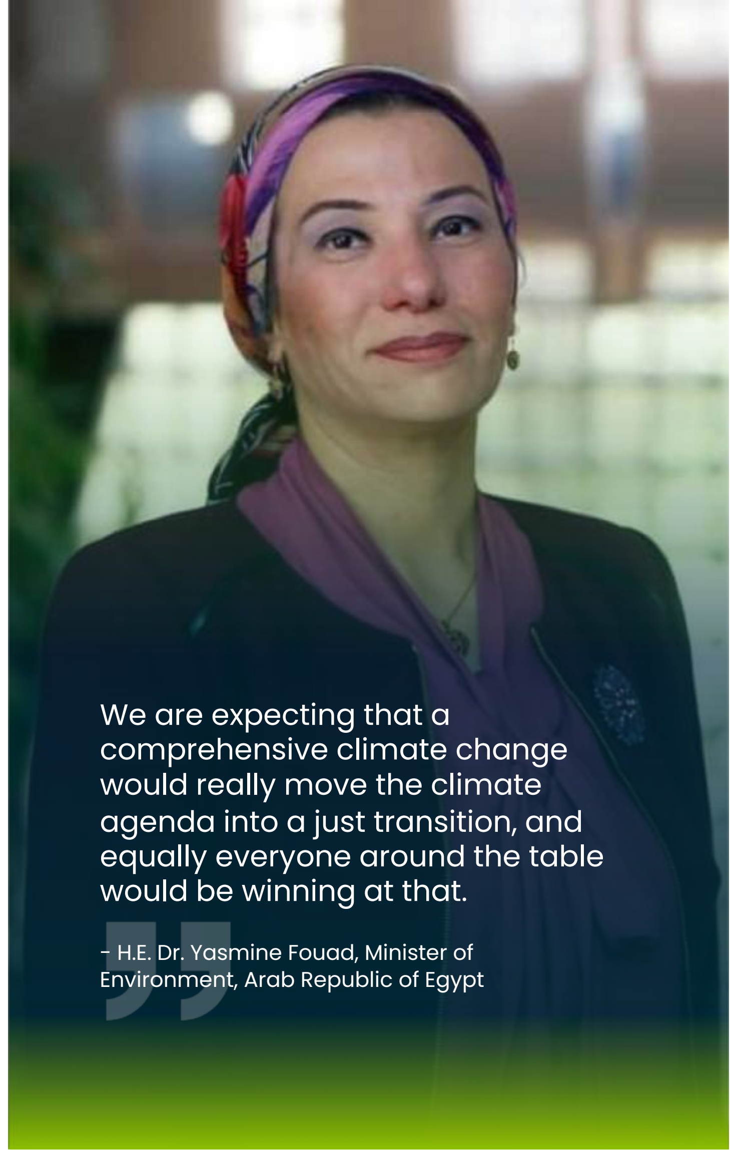
Now is the Time for Implementation

The climate crisis is evidently becoming alarming in every single place of the world without differentiation. It is why now more urgently than ever is the time to set in place an implementation plan, thanks to mega events such as COP27 which is coming at a very critical year marked by geopolitical challenges and a rising pandemic.

Three key features must remain at the forefront of this plan: it has to be inclusive of all stakeholders, feasible and upscalable for vulnerable communities and it must move from pledges to commitments.

The private sector must also play a dual role at mitigation but also adaptation, innovating more robust transformative tools and the technologies required for implementation, especially in emerging markets.

At the national level, the right enabling environment should be there to ensure that the investment will feed into the fight against climate change.



> We are expecting that a comprehensive climate change would really move the climate agenda into a just transition, and equally everyone around the table would be winning at that.
>
> – H.E. Dr. Yasmine Fouad, Minister of Environment, Arab Republic of Egypt

Transitioning to Net Zero is no Longer a Choice

Over the past years, we have seen ESG grow as an extremely important priority for London. There is no longer one single opportunity without ESG touching it. That's because the transition to net zero is no longer a choice, it is a necessity. The question is, "How do we mobilize capital to the right projects?", asks **Rt. Hon. Vincent Keaveny Lord Mayor of London.** To make it happen, the city of London is putting in place sustainable finance infrastructure to drive new business offerings. How can this infrastructure be created in cities outside of London? All the strengths of a city must be mobilized responsibly to play a crucial role in financing the transition to net zero.

Going Beyond the Belief of "Climate Funding is Risk"

Energy companies must realize the need to move forward and to secure reliable energy sources during the transition phase. Indeed, "climate risk is investment risk", but energy transition is inevitable, reminds **Larry Fink.** What should be done? Companies should work on mitigating demand and not just supply to overcome this transition. This is because the energy prices increase is accelerating the need to invest in renewables, decarbonization technologies and carbon capture. Companies therefore need to adjust their taxonomies to fit the new emerging needs.

> We want to maintain the momentum of COP26. We are doing this at a time of unprecedented change. How to keep moving this forward in a world that is so drastically different from what it was only 2 years ago?
>
> - Lord Gerry Grimstone of Boscobel, Kt Minister for Investment, Department for International Trade & Department for Business, Energy & Industrial Strategy, Government of the United Kingdom

The Practicalities of Getting to Net Zero

The practicalities of how to get to net zero are now the top priority for world leaders. How to raise the finances? How to support the places that don't have the finances to do it? What is the role of the private sector? How can governments support?

These are all questions to be addressed as COP27 approaches to shed light on the issue of climate change. At the national level, governments need to live up to their social responsibilities and to create investible propositions that people can invest in to drive us into net zero. The private sector is equally responsible, in fact, big saving companies need to ensure that financing is accessible and to work on finding ways to involve the young and mobilize investments towards them. We are heading to the future so that the world survives. Young people should therefore take part in the conversation moving forward, stresses

Lord Gerry Grimstone of Boscobel, Kt Minister for Investment, Department for International Trade & Department for Business, Energy & Industrial Strategy, Government of the United Kingdom.

Nuclear Fusion: A Key to a Sustainable Future

Hundreds of years ago, scientists discovered that you can create enormous energies by splitting or merging the atom. Over the years, significant ways of controlling the power of atom splitting have been uncovered, yet nuclear waste continued to be a byproduct that lasts for years. The solution to not produce any long lived radioactivity hasn't been yet invented because it is extremely challenging to control the fusion process. This is why now more than ever is the time to invest in fusion and get widespread adoption.

The Role of Academic Institutions in Driving Sustainability

Researchers and educators have an important role to play in securing enough data to plan for the future and to assist in the transition to clean energy. For example, Stanford University has been driving the energy transition with many big companies and more recently has built a new school for sustainability to study the climate change economy and secure data for decision-makers and infrastructure solutions. Social and environmental justice are also metrics that we look at in our approach, says **Prof. Yi Cui.**

Next Generation Sustainability on the Rise

Winning together can advance the achievement of the United Nations SDGs. This is why international organizations are sponsoring youth members to advocate for a better future and influence change. For example, with Project 17, the goal is to look at the 17 climate goals to identify how musicians and artists can support the goals that they care about. According to **AY Young,** agreeing on common goals for the youth, supporting action and building conversations are key to promote next generation sustainability.

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Key Sessions Highlights

CEOs’ Take on ESG Going Forward

There is no doubt that priorities represented by the SDGs and the fight against climate change cannot be addressed by governments alone. Capital markets, global corporations and financial institutions must play a key role in emerging markets as they incorporate ESG into their frameworks to attract financing. “There is urgency in adopting sustainable frameworks, disclosure frameworks, ISSB standards, the world cannot wait 150 years”, says **Hywel Ball, UK Chair, UK & Ireland Managing Partner at EY.** As time progresses, it is becoming much more critical to finance businesses on their transition journey towards adopting ESG criterias going forward. In parallel, governments must play a role in putting in place efficient frameworks that encourage data disclosures by private companies to access financial markets and investments. Not only that, but private businesses must in return demonstrate their capabilities, seriousness and track record of implementing and sustaining their ESG frameworks in order to attract financing.

As the world addresses the transition towards a decarbonized economy, there is a real urgency, although we can talk about tipping points.

- David Schwimmer, CEO, London Stock Exchange Group

I will finance this journey from where we are to where we want to be. We don't want a binary world, but a world that transitions.

- Noel Quinn, Group Chief Executive Officer, HSBC Holdings plc

If the capital is not producing a fair inclusive habitable world then what are we doing?

- Rishi Kapoor, Co-CEO, Investcorp

You need to understand what your stakeholders want and value. The transition plans are fantastic, but we need to make sure they are not a ticking box strategy.

- Robert Wilt, CEO, Ma’aden

Investor-Tested Strategies of Looking Into ESG

Substantial evidence shows that there should be very little disparity between businesses doing well and those doing good on the ESG front. **Cathrine de Coninck-Lopez, Global Head of ESG, Invesco** highlights that they mainly "look at ESG from sustainable value creation perspective", considering that it a journey that requires time and creative systems. One-proven investor-tested strategy to measure value creation is through accurate data collection and inclusive dialogue. This is why investment management companies are creating their own data systems to evaluate companies with ESG in mind. However, the approach in emerging markets should be different than the one adopted in developed markets. What FII has developed with EY is one example, as they work on contextualizing data to know what does good look like in each market and continent separately, says **Oliver Phillips, Africa and Middle East Lead of Sustainable Finance at Standard Chartered.** One proven approach financial institutions have taken when approaching ESG is by getting more creative when financing emerging markets such as India, Africa & Sri Lanka. Opportunities have been going for instance into developing carbon credits, blended finance, export agency cover and philanthropy. **Bertie Whitehead, Managing Director, UK Investment Banking at Goldman Sachs** further reiterates this, emphasizing that "private equity firms are pivoting asset gathering to the greener side of the equation".

> One size doesn't fit all even within developed markets.
>
> - Oliver Phillips, Africa and Middle East Lead, Sustainable Finance, Standard Chartered

> Over regulation stifles innovation and capital flows.
>
> - Bertie Whitehead, Managing Director, UK Investment Banking at Goldman Sachs

> Having dialogue with thousands of companies is important as we move forward together. To have an informed dialogue you need good data.
>
> - Cathrine de Coninck-Lopez, Global Head of ESG, Invesco

Moving from Divestment to Engagement

Historically, large financial institutions have approached ESG investments through negative screening strategies, excluding for instance fossil fuels, nuclear energy, and various “sin” stocks. The avoidance model has penalized emerging markets by reducing investor flows into assets that are critical for community survival. Fortunately, investors are now shifting to a more proactive approach that diverts away from ESG vs. financial performance to how to achieve the desired financial returns while having a positive ESG impact, expresses **Eugenia Unanyants-Jackson, Global Head of ESG at PGIM.** With investor decisions being largely dependent on a construction of methods and indices today, **Corinne Neale, Managing Director and Global Head of Data & Platform ESG Applications at BNY Mellon** asserts that it “is therefore simply a matter of finding the right information to support every decision”.

In specific, investors are moving away from divestment and shifting to engagement, financing companies that promote accessibility to serve the needs of diverse beneficiaries such as women and lower and middle income communities. Of course, this brings many opportunities but can also be challenging according to **Catherine Lenson, Head of Social Impact at Softbank**, who believes that in the transition from divestment to engagement, we need to make sure that “investment dollars fall in the hands of transition actors, and that they are accessible to these diverse beneficiaries”. All in all, the ultimate goal is to utilize projects serving diversity to build better results and produce better outcomes for everybody.

The Youth Must Have a Say in the Dialogue on ESG

Established organizations, institutions, and investors have a role in helping the emerging generation of activists advance worthwhile causes through scalable technologies, financial investments, international cooperation, and large-scale shifts in consumer behavior. This stems from the belief that the youth are the "inheriting decision-makers" and doers of the future, says **Maximo Mazzocco, Generation 17 Young Leader**. In a session moderated by **Akash Shah, Chief Growth Officer at BNY Mellon**, the questions of how to keep an open dialogue with the youth on sustainability and how to enable them to drive change and lead the conversation on ESG have been raised. The key focus should be on low-income regions and empowering youth members with temporary jobs to have access to stable job opportunities and social protections, says **Jansen Durham, Co-Founder & CEO of Fixa Rwanda** as he talks about his organization's activities. What will keep the youth going? The belief that they deserve better and they can achieve what they deserve, says **Nisreen Elsaim, Youth Climate Activist & Climate Negotiator**. Agreeing on common goals for the youth, supporting action and building conversations are key to prepare them for the challenges of today and promote next generation sustainability.

We are working with partners to set ESG on the national agenda. We might have come in late, but not we are not anymore.

- Maha Al-Nuhait, General Manager of Sustainability, STC

The evolution of improved reporting and disclosure is something we strongly encourage.

- Gillian Lofts, Global Sustainable Finance Lead Partner, Ernst & Young (EY)

Speed and acceleration are one measure. What needs to be there is that all stakeholders come together: you need policymakers, investors, companies, all the ingredients.

- Ashraf Al-Ghazzawi, Vice President, Strategy & Market Analysis, Aramco

Priority Moving Forward: Narrowing the Delta

Even if business leaders and policymakers come anywhere close to meeting their pledges to accelerate decarbonization outlined by COP26, there is still a very large delta between these goals and the climate action necessary to protect cities, regions, and communities around the world.

It is therefore no longer a question of how to create the delta, it is rather about how to accelerate it using efficient strategies and mechanisms, expresses **Melissa McDonald, Managing Director and Global Head of ESG and Climate Indexes at MSCI.** Infrastructure and policy support and timing are considered key to accelerate progress and convert the energy supply. In addition, “We need support on infrastructure, waste infrastructure and policies”, expresses **Bob Maughon, Chief Technology & Sustainability Officer at SABIC**.

There is also an information gap between financial services and corporates that needs to be bridged. This is why companies need to start producing scenario modeling and integrate climate reporting into their frameworks to bridge the information gap between financial institutions and companies looking for financing.

With ESG in emerging markets, people think: Cost and Risk, but few look at Value.

- Anna Moore, Sustainability & Strategy Partner, McKinsey

We need a bit of affirmative action in these funds dedicated to emerging markets to lift up investment there.

- Marieke Huysentruyt, Associate Professor Strategy and Business Policy, HEC Paris

You make great ROI if you make a business that creates change. This involves allowing ourselves to be more flexible about what we can do right now.

- Rick Lacaille, Global Head of ESG, State Street Global Advisors

Focusing on Emerging Markets is Paramount

Emerging Markets are the growth engines for the future but receive only a small proportion of global ESG funds. In many cases, this is because the transition to a green economy collides with job, food, and energy security, and therefore translates to higher costs. To mitigate this, understanding the market dynamics and cultural perspectives in emerging markets is key before making investment decisions.

According to **Habib Abdur-Rahman, Head of ESG at Investcorp**, “the cultural perspective of every country is not to be underestimated”. Another approach is for “risk mitigation [to] be done separately from ESG”, adds **Iyad Abdulrahman Al-Garawi, General Manager, Board of Affairs & Investor Relations at SABIC.**

At the global level, Sustainable Development Goals must be mandated to set the path. At the national level, efficient government planning and standardized data disclosures must be enforced to encourage sustainability reporting and raise the accountability of companies.

Finally, corporate governance practices cannot be overlooked. The more a business is flexible about what they can achieve to make an impact, the greater the ROI.

The finance sector is guilty of pricing new risks higher than older risks. The past is a poor predictor for the future.

– Steve Howard, Chief Sustainability Officer, Temasek

There are a lot of opportunities in decarbonization technologies, a lot of new industries can be completely electrified.

– Hans Kobler, Founder and Managing Partner, Energy Impact Partners

“Someday is now”. It is no longer a need for us to wait for “someday” to have a solution and to take action towards climate change.

– Jimmy Samartzis, CEO, Lanza Jet

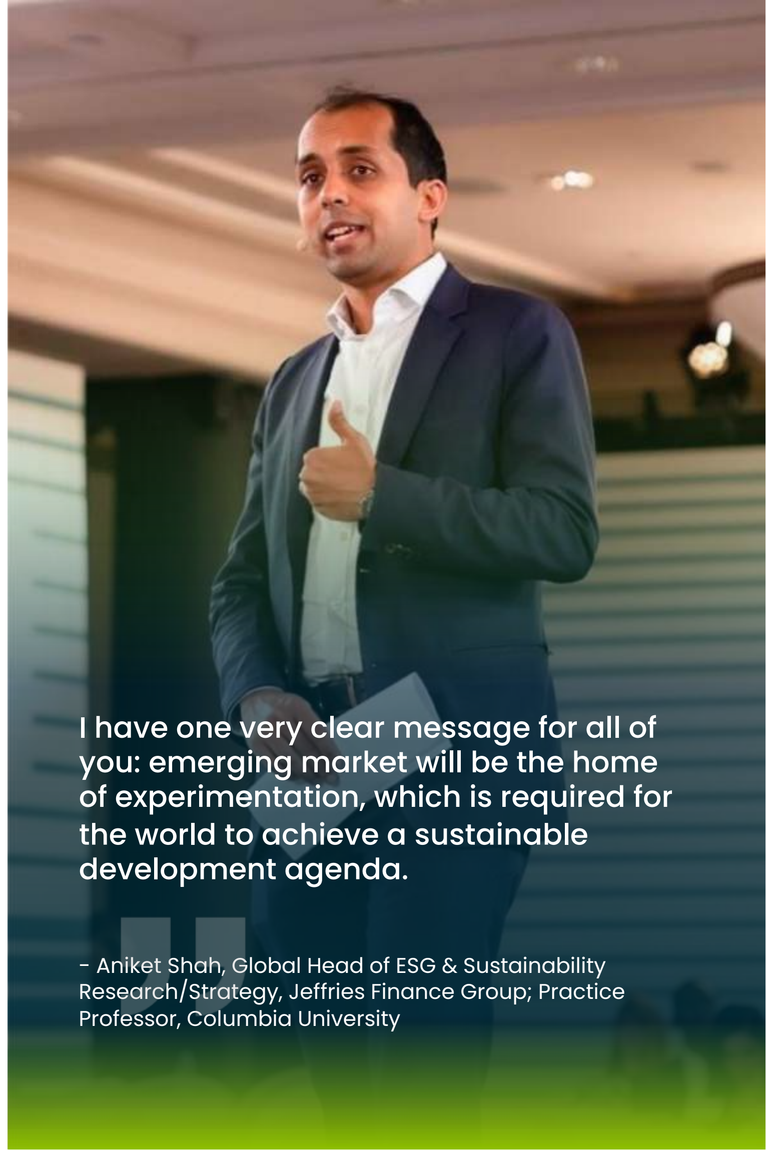
Technology Driving Critical Progress in Sustainability

New and breakthrough technologies are essential to solving our planet’s climate crisis. This is why business investments are shifting to scaling technologies that address “macro conditions”, as put by **Steve Howard, the Chief Sustainability Officer at Temasek.** From electric vehicles and LED lighting, solar power, predictive AI, machine learning, and carbon capture to technologies that help mitigate climate change, war repercussions and the spread of pandemics, the spectrum is wide for investors clamoring to be part of it. Promising opportunities are also found in sustainable materials, climate positive food systems, regenerative and vertical agriculture and the aviation industry. Indeed, the risks associated are still very high, but this is where the role of governments comes to be. According to **Jimmy Samartzis, CEO of Lanza Jet,** “government policies can drive some markets to develop first and define where the technological innovation will go to”. Without partnerships between the private sector, financial institutions and governments across the value chain of technologies, founders will continue to face challenges obstructing progress in the energy revolution.

How Disruptions To The Real Economy Are Creating An Opportunity For Emerging Markets

"How will emerging economies evolve over the next 50 years?" A question raised by **Aniket Shah, Global Head of ESG & Sustainability Research/Strategy at Jeffries Finance Group and Practice Professor at Columbia University**, as he addresses the necessity for high level experimentation in emerging markets. For him, adapting to a warming world must be combined with developing new and innovative means to enable economic progress. Such means include low-cost sustainability projects, policy support and new technologies.

The focus must also be about adaptation to climate change not mitigation. His final thoughts? Multilateral banking systems are "one of the simplest and easiest ways to get more capital to flow from high to low income countries", expresses **Shah**.



I have one very clear message for all of you: emerging market will be the home of experimentation, which is required for the world to achieve a sustainable development agenda.

- Aniket Shah, Global Head of ESG & Sustainability Research/Strategy, Jeffries Finance Group; Practice Professor, Columbia University

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FII Institute Launches: A New Scoring Methodology for a More Inclusive ESG Framework

Doug Johnston, Practice Leader for Sustainability & Climate Change, EY & Anthony Berkley, Head of ACT & Investments, FII Institute:
Inclusive ESG Framework and Scoring Methodology

Investors have been facing common challenges, highlighting a need for an unbiased EM focused ESG analysis

ESG scoring is approached by each rating provider differently, hence divergent ratings for the same company

ESG Scoring / Rating should be free from biases (size, country etc.)

Companies should not be penalized on the basis of poor signposting of their ESG performance

Country risk lens tends to put better performing EM companies at a weaker starting position

Management's intent and performance track record are not fully accounted for in current ratings

Emphasis on tangible performance improvements can improve the credibility of ratings

The Inclusive ESG Scoring Methodology provides a fairer score which values performance improvement more than breadth of disclosure

Mainstream rating agency KPIs are not relevant to EM conditions, stress more on disclosure and less on YoY performance improvement.

This creates bias.

Inclusive ESG removes bias with an objective analysis based on most material KPIs to EM conditions, for each sector. This is what Investors are looking for.

Key differentiating factors:

what makes this methodology stand apart

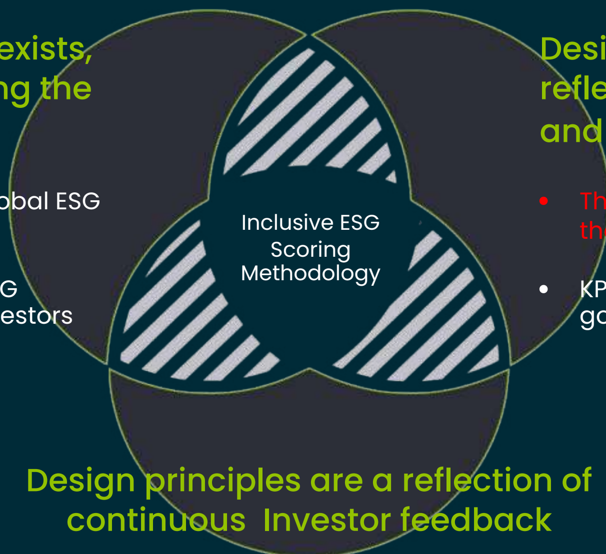
- Focus on most material KPIs for EM: Inclusive ESG Scoring deploys 16 themes and 96 KPIs that regulators, companies and experts judge as most material
- Objective ESG analysis based on "what good looks like for EM": KPIs are designed considering raw data medians for leading EM companies, drawing on prevalent performance thresholds
- Emphasis on delivering change, instead of volume of data disclosed: Across KPIs, strong consideration is given to YoY performance improvements, rather than disclosure on various policy and systems
- Higher emphasis on sectoral challenges rather than country risk: This levels the playing field for high performing companies in each sector to fairly compete against their DM counterparts

*Data Sample: 34% of EM corporates received a higher Inclusive ESG score than standard ratings.

The inclusive ESG scoring methodology is therefore designed to create a level playing field for EMS

Built on what exists, not reinventing the wheel

- Aligned with global ESG taxonomy
- Aligned with ESG priorities of investors



Design parameters reflect EM conditions and maturity

- Themes and KPIs that matter the most to EMs
- KPI weights relate to "what good looks like for EMs"

Design principles are a reflection of continuous Investor feedback

- Companies' track records and management intent should be credited
- ESG scoring should reflect the actual operating conditions for EMs

Design overview of the Inclusive ESG Scoring Methodology

Design considerations

Selection of EM-Specific ESG Themes

- Built on ESG aspects considered important by DFI, EM regulators and EM companies

KPI Selection based on EM operating thresholds

- KPI thresholds are calibrated with EM companies across different sectors based on "what good looks like for EMs"

Adjustment for Sectoral Materiality

- Ability to incorporate investor specific bespoke materiality definitions and weighting

Adjustment for Country Influence

- Rewards EM company efforts to contribute to the National Developmental Agenda (SDGs)

Composite Inclusive ESG Score

- Generates individual scores and a final composite ESG score on a scale of 0-100

Scoring process

Level 1 Scoring

How does an EM company perform on selected KPIs?

Level 2 Scoring

How does an EM company perform on topics material to its sector and country's priority topics?

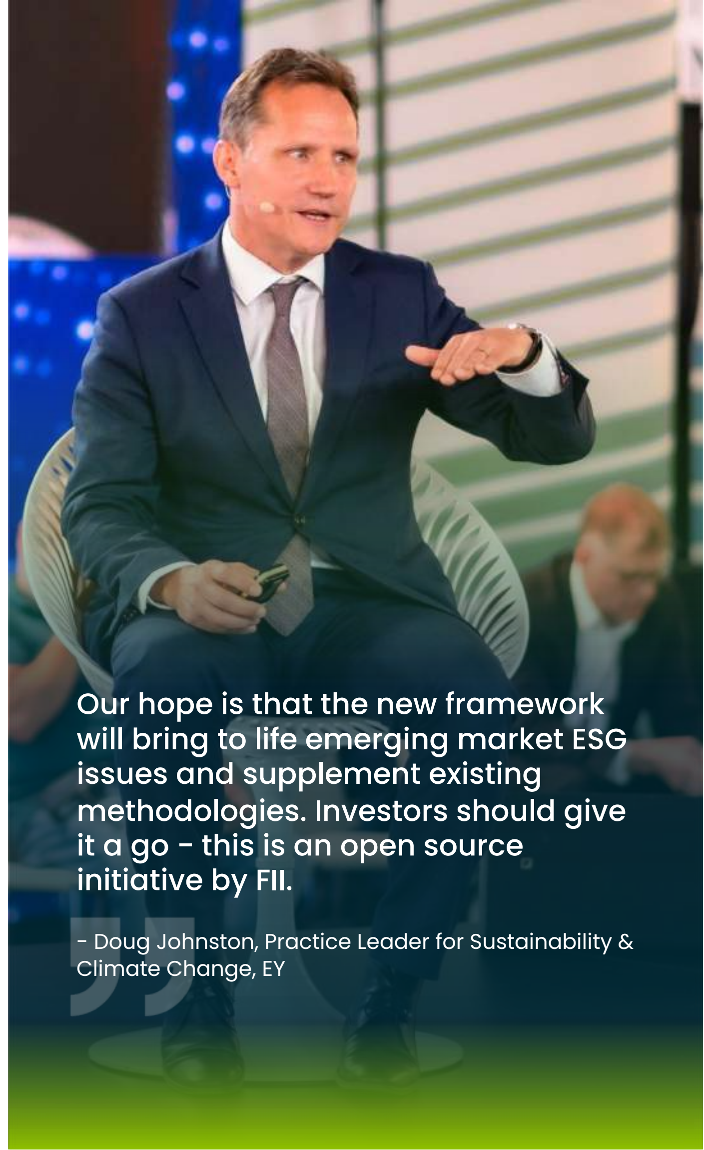
Level 3 Scoring

Final score on a scale of 0-100

On the New Scoring Methodology

With emerging markets, new ways to measure "the good" are needed. With a new scoring methodology in place, there is now a new framework that values performance progress over time, recognizes different between countries and emphasizes sector challenges rather country risks. **Doug Johnston, Practice Leader for Sustainability & Climate Change at EY** talks about their application of the newly introduced scoring methodology. Upon evaluating two companies that were very similar in terms of profile and scale but different in ESG scores, taking into account the factors differentiating a company operating in an emerging market and another in a developed market, they found a score that was almost very similar. "When we applied a filter of "what does good look like, the two scores became much more closer", remarks **Johnston**. The new ESG framework is therefore considered more accurate at assessing and comparing ESG performance in different markets.

However, it is important to stress that the new scoring methodology is not designed to replace the old mechanism: it is rather a supplementary framework that adds conditions inside emerging markets into the equation to ensure fair competition between companies.



Our hope is that the new framework will bring to life emerging market ESG issues and supplement existing methodologies. Investors should give it a go - this is an open source initiative by FII.

- Doug Johnston, Practice Leader for Sustainability & Climate Change, EY

To learn more and download

The Scoring Methodology Kits and Whitepaper,

Kindly visit FII Institute Website: FII-institute.org

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On the Road to COP27

On the Road to COP27

Policy and finance are the two most important leverages for influencing sustainable outcomes. Governments must incentivize the transition to a green economy and business leaders must put these policies into action. This also requires private investors to agree to lend to, invest in, and provide insurance for organizations that manage their environmental risks and impacts.

As global leaders prepare to convene in Sharm el-Sheikh, Egypt for COP27, priority on the policy agenda is the question of how to bridge traditional COP with the rising geo-political challenges; and how to prioritize the ability of vulnerable countries to access finance and the necessary technological adaptations to achieve sustainability, says **Sen. Matteo Renzi, Former Prime Minister of Italy.**

A comprehensive climate change would really move the climate agenda into a just transition, and equally everyone around the table would be winning at that.

- H.E. Dr. Yasmine Fouad, Minister of Environment, Arab Republic of Egypt

We want to maintain the momentum of COP26. We are doing this at a time of unprecedented change.

- Lord Gerry Grimstone of Boscobel, Kt, Minister for Investment, Department for International Trade & Department for Business, Energy & Industrial Strategy, Government of the United Kingdom

I believe that COP27 will be a great success if it will be able to combine together the present with the vision of the future.

- Sen. Matteo Renzi, Former Prime Minister, Italy

> What needs to be done is the creation of investible propositions that people can invest in to drive us into net zero.
>
> - Lord Gerry Grimstone of Boscobel, Kt, Minister for Investment, Department for International Trade & Department for Business, Energy & Industrial Strategy, Government of the United Kingdom

> There needs to be consensus among developed and developing countries when it comes to streamlining finance processes.
>
> - H.E. Dr. Yasmine Fouad, Minister of Environment, Arabic Republic of Egypt

> The real question is not the number of goals, but the capacity to have a comprehensive look about the future. My real preoccupation is the ability to discuss a single topic within a comprehensive vision.
>
> - Sen. Matteo Renzi, Former Prime Minister, Italy

What can global business and financial leaders do to support these urgent goals?

To set the path for COP27, the private sector must work closely with investors on coming up with robust transformation tools for the mitigation of and adaptation to climate change. These tools should aim to "move from pledges to actual commitments put around the table to fulfill the requirements for facing climate" challenges, says **H.E. Dr. Yasmine Fouad, Minister of Environment of Egypt.**

In order for the money to go into the right places, "governments must establish the right enabling environment" at the national level to ensure that the investment will feed into the fight against climate change, adds **Lord Gerry Grimstone of Boscobel, Minister for Investment Department for International Trade & Department for Business, Energy & Industrial Strategy in the Government of the United Kingdom**.

The Impact on Emerging Markets

For emerging markets, "the COP should relay success stories and interventions made by various stakeholders, along with the important stories of vulnerable communities and any adaptation methods that can be replicated and upscaled", says **H.E. Dr. Yasmine Fouad, Minister of Environment of Egypt.** The ability to offer sustainable financing solutions is therefore strictly reliant on the ability of countries - both developed and emerging- to access finance and technologies required for implementation.

Inclusive Dialogue will Drive COP27 Forward

To reach implementation frameworks, all actors should be sitting on the table including the civil society, citizens, youth, women, as well as local communities that were hit hard by climate challenges. The youth has to be mobilized to create enabling frameworks for investments in emerging countries. Young people should therefore participate and everybody must make their voices heard, since "we are heading to the future so that the youth survives", expresses **Lord Gerry Grimstone of Boscobel.**

> Success is where there is great knowledge among leaders; whether there is real engagement among leaders, and how well these leaders are thinking long term.
>
> \- Sen. Matteo Renzi, Former Prime Minister of Italy

Summary of the Calls to Action in the FII ESG White Paper

FUTURE INVESTMENT INITIATIVE
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Investors

The FII Institute is calling on ESG investors to publicly commit to raising the portion of capital allocated to emerging markets (EMs) from less than 10% today to a minimum of 30% of committed and invested capital by 2030.
It is in investors' interests to do this as EMs are the growth engine of the global economy, representing an untapped market opportunity. EMs offer diversification with compelling upside potential, particularly as past concerns with liquidity and capital preservation fade. Investing through the ESG lens also supports risk management by providing a framework for selecting well-managed, high growth corporates.

Companies

The FII Institute is calling on companies headquartered in EMs to strengthen their narrative explanation for how ESG actions align with local realities and drive enhanced value for all stakeholders, including risk management for investors.

This is in those companies' interests as it will give more confidence to investors who currently lack quality data on ESG in a clear and comparable format, which is a major barrier to investing in EMs.

Governments

The FII Institute is calling on governments to step in and encourage EM-headquartered companies to become more proactive at disclosing relevant information through their normal reporting channels.
This is in governments' interests because proactive ESG reporting will improve the quality of data and remove one of the largest barriers to investment. Therefore, attracting more capital with an ESG lens will contribute to GDP, help create jobs, and accelerate the transition to a sustainable economy.

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Impact on Humanity