



**FII INSTITUTE**  
Future Investment Initiative Institute

Impact  
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# TURNING IDEAS INTO ACTION THE NUANCED APPLICATION OF ESG

The FII Institute Sets an Ambitious Agenda to Promote Inclusive ESG Application Worldwide

How can we chart a sustainable future for the planet, society, and the global business community? As economic recoveries begin to take shape around the world, what can corporations and investors do to invest in the collective health of society and the environment? The answer to these existential questions lies in environmental, social, and governance [ESG] standards and practices. ESG has the power to transform and inspire, but only an inclusive application of ESG will ensure it has the ability to enhance the common good in markets around the world.

Nuanced ESG application was a dominant theme at the FII Institute Series inaugural ESG virtual event held on the 15th of April 2021. Speakers gathered virtually from around the world agreed that the tipping point for ESG in the global marketplace has passed. Today's challenge is how ESG standards can be refined, standardized, and deployed across global markets to achieve maximum impact for society and the environment.

**H.E. Yasir Al-Rumayyan, Chairman of FII Institute and Governor of the Public Investment Fund (PIF) of Saudi Arabia**, kicked off the event with a call to action. "We are generating ideas and taking them from thinking to doing. Action is critical as we continue to emerge from the Covid-19 pandemic. Good stewardship, fair treatment, and giving back have long guided great organizations. But post-pandemic, ESG ensures that investments are vetted for responsibility, fairness, and transparency. What's more, ESG can open the way for policies and practices that serve people and the planet."

Home to more than 85 percent of the world's population, emerging markets are pivotal to these considerations. While ESG standards might have fewer obstacles to implementation in the West, they can have an arguably more profound impact in emerging markets. Several economic and political impediments exist in emerging markets that aren't as prevalent in the West--especially since younger markets are starting from a different place in history and are at an earlier stage of development.

**Richard Attias, the CEO of the FII Institute**, succinctly captured the challenge. "ESG reliability and usefulness can be further improved by tailoring it to local realities - a one-size-fits-all approach will not work if we want to make serious progress toward global sustainable development."

Addressing this issue with experience from emerging markets, **Geoffrey Odundo, the CEO of the Nairobi Securities Exchange in Kenya**, told the conference that, “there is a need for more rigor around regulations so that sustainable assets are very well regulated and we have a very clear alignment on local reporting standards and indicators [in emerging markets].”

The ongoing climate crisis was another point of discussion. **Noel Quinn, the CEO of HSBC UK**, set the stage for the discussion with his remarks. The climate crisis may not be reversible, Quinn said. “That’s why I think banks and financial services more widely have taken on board the need to make rapid progress and catch up on the work that’s needed around sustainability.”

Woven throughout the conference was the notion of how ESG standards empower corporations and investors with the ability to effect change in the marketplace. **Isabelle Millat, the head of sustainable investment solutions for global markets at Société Générale**, captured the essence of the sentiment. “Collectively, retail investors have a huge amount of power. They can choose investment solutions focusing on listed companies which can be critical for the UN sustainability goals. That sends a powerful message.”

After two hours of powerful discussion, the event finished on a special note as **FII Institute CEO Richard Attias and Jean-Jacques Barbéris, Member of the Executive Committee & Head of Institutional Clients Coverage and ESG of Amundi**, signed a memorandum of understanding on behalf of the two organizations to collaborate on ESG research with a special focus on emerging markets.

“We share an ambition to create research and knowledge on ESG in emerging markets because we believe that we need some approaches that are diversified and different from the geographies,” said Barbéris before signing the landmark document.

Since the beginning of the Covid-19 pandemic, companies with strong governance structures and responsible social policies have shown the greatest resilience during these turbulent times. In many cases, ESG standards and practices have been the corporate scaffolding enabling these companies to succeed.

The goal of FII Institute's virtual event, **The Neo-Renaissance: Mobilizing ESG for a Sustainable Future**, was the recognition of how various economic and political realities need to be taken into account when judging ESG performance worldwide and establishing new ESG practices. As Richard Attias pointed out, a one-size-fits-all approach won't work. In order for ESG to have the greatest global impact, our attention must turn to the role of emerging and developing markets. Investment companies need to consider how they can help finance the infrastructure needed to transition industries and businesses to a cleaner and more equitable future. Other initiatives such as public-private partnerships can play a valuable role in these transformations.

The FII Institute will build on the discussions that took place at this year's event and translate ideas into action. The first step on that journey will be to create and publish a standardized ESG corporate rating methodology as a way of addressing sustainability challenges in countries around the world. With such a methodology in place, a missing link in this puzzle will be realized and the ESG transformation around the world can have maximum impact. It's clear what actions need to be taken to build a sustainable future, and the ideas shared at the FII Institute this year will help put them into action.



## THE NEO-RENAISSANCE: MOBILIZING ESG FOR A SUSTAINABLE FUTURE