

## INTEREST GROWS IN EMERGING MARKET AND ESG INVESTING



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Two big trends in institutional investing right now revolve around increasing exposure to emerging markets and environment, social and governance (ESG) screens. Allocation to emerging markets grew 30% in the last three years alone, according to research by the Ethical Investment Research Services (EIRIS).

Few investors contemplated such growth when the MSCI Emerging Markets Index debuted in 1987 with 290 constituents from eight countries and accounted for just 1% of the global equity universe. Today, the same index has 22 countries represented by 820 securities comprising 13% of global market capitalisation. By comparison, frontier markets today represent 0.6% of the opportunity set.<sup>3</sup>

### MARRYING GOVERNANCE CONCERNS WITH A DESIRE TO ACCESS EMERGING MARKET RETURNS

- At least 22% of assets globally are invested incorporating ESG criteria.<sup>4</sup>
- Governance is a growing concern in every region.
  - The United Kingdom's £900bn National Association of Pension Funds says executives should hold shares for 10 years in order to act more like long-term investors.<sup>1</sup>
- Investors seek greater asset allocation exposure to emerging markets, whether for greater diversification or return potential.
  - Yet emerging markets countries still display lower shareholder protection.
  - 70% of revenues on the MSCI Emerging Markets Index come from constituents controlled by one group or entity.<sup>2</sup>
- Institutional investors search for products screened both by international norms such as the United Nations Global Compact and this skew of ownership in emerging markets.
- Northern Trust's unique new emerging markets ESG product tackles this issue by filtering out companies, government-controlled or not, that lack sufficient executive independence and scrutiny of management.

Such expansion reflects these regions' growing power. Real gross domestic product growth for China, for instance, exceeded 7% in 29 of the last 32 years. Compare that with the United States, the world's largest economy, whose real growth rate topped 7% only one year in the same period.<sup>5</sup>

Economic power is rapidly being converted into wealth: emerging markets nations now own 70% of the world's currency reserves. Thus, developed-world investors are keen to allocate more to emerging markets, but many must ensure they do so in accordance with responsible and sustainable policies.

ESG are rapidly developing norms across the world. At least \$13.6 trillion of assets – 22% of the available total – is now invested incorporating ESG principles, according to the Global Sustainable Investment Alliance<sup>6</sup> (GSIA).

Europe is at the forefront of this development. Twenty-two of the 30 largest pension plans in the region are signatories of the United Nations' Principles for Responsible Investing (UNPRI), declaring themselves responsible investors. GSIA's latest report describes almost half of all long-term assets owned by European institutions and individuals as sustainable



## KEY PERFORMANCE INDICATORS (KPI) FOR ESG

ESG principles vary from investor to investor. When it comes to their practical implementation within capital markets, however, the European Federation of Financial Analyst Societies (EFFAS) identifies 10 topical areas covering the issues. These apply to all sectors and industries in a universe of quoted stocks. The following 10 KPI's facilitate stock-to-stock or sector-to-sector comparison:

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| 1. Energy Efficiency (E)          | 6. Remuneration (G)               |
| 2. Greenhouse Gas Emissions (E)   | 7. Litigation risks (E,S,G)       |
| 3. Staff turnover (S)             | 8. Corruption (S)                 |
| 4. Training and qualification (S) | 9. Innovation (S, E)              |
| 5. Maturity of workforce (S, G)   | 10. Revenue from new products (E) |

Source: EFFAS

Some topics are unambiguously focused on a single consideration, e.g., the effect of greenhouse gas emissions on the environment. Others can separately cover a broader range of ESG risks. For example, litigation risk could refer to a pollution claim, a dispute with the local municipality or a tribunal case with ex-employees. The full EFFAS document details many sub-sectors and appropriate KPIs for the 10 topics.<sup>24</sup>

investments. In a Northern Trust survey last year,<sup>7</sup> we found that 44% of European institutions include ESG considerations in their investment strategy or manager selection processes.

ESG investments in Asia are at a lower level than in Europe. Nevertheless, in the same Northern Trust survey we found that 26% of respondents make ESG considerations in their investment strategy or manager selection processes.<sup>8</sup>

## ESG GROWTH DRIVERS

We believe three drivers are behind the current and expected growth in ESG investing: investment opportunities, governance policies and regulation.

*1. Pure-play investment themes.* If one believes the future of the human race requires greater diversity of

energy sources, then funding burgeoning alternatives such as solar makes financial sense. If one believes access to water is a source of revenue rather than a free service, all companies involved in the sanitisation of water and its heavy usage come under intensified analysis. If one believes that corporate success is greatly defined by its executive management, then one scrutinises their activities, on-going financial interest in the organisation and oversight more than other company data. Such strategies are entirely in accordance with the common pension fund fiduciary duty of seeking to maximise returns for the benefit of the members. ESG investments-based strategies focusing on climate change, green technology, low carbon emissions or good governance are gradually finding a place in investors' portfolios as medium- to long-term investment themes aimed at generating positive returns.

*2. The obligation to abide by a governance policy explicitly including or led by ESG considerations.* For example, Norway's US\$633 billion Government Pension Fund – Global (GPF), the Continent's largest investor, has two overriding goals: the common fiduciary duty of achieving high returns, and respecting the fundamental rights of those affected by companies in which the fund invests. We are seeing more and more investors being required to meet similar internal governance policies.

Many funds view these first and second drivers as entirely in harmony. A survey by EuroSIF of Europe's asset owners found 84% believe there is no contradiction between the integration of ESG criteria and their fiduciary responsibility.

*3. The regulatory framework in which an asset owner operates.* For national buffer funds such as GPF, established by unique legislation, the second and third drivers are synonymous.

But such giants are not alone. In Europe, we also find national regulations regarding ESG for private and public-sector workplace pension plans, large and small. For example, since 1999 schemes in the United Kingdom have had to declare "the extent (if at all) to which social, environmental or ethical (SEE) considerations are taken into account in the selection, retention and realisation of investments; and the policy (if any) directing the exercise of the rights (including voting rights) attaching to investments."<sup>10</sup>

There is also a growing body of legislation, often crafted in response to public outcry, targeting particular areas of ESG. For example, from the beginning of January 2013, all Dutch financial institutions, including pension funds, were banned from investing in the

The great range of screens available today reflects the diversity of beliefs and strategies among institutional investors. Northern Trust alone manages over \$20 billion on behalf of asset owners across this range, including those benchmarked against mainstream indices to those benchmarked against customised ESG indices.

## NEW BREED OF RESPONSIBLE INVESTOR

### *Établissement de Retraite Additionnelle de la Fonction Publique (ERAFP)*

France's supplementary pension fund for public-sector employees, ERAFP, is a perfect example of the new breed of responsible investor. Established in 2004, ERAFP receives annual net inflows of €1.5 billion and is already worth €14 billion. Its governance policy requires ERAFP to manage all assets in accordance with five socially responsible considerations:

1. Respect for human rights and the rule of law
2. Promotion of social progress
3. Promotion of democratic labour relations
4. Respect for the environment
5. The practice of good governance and transparency.

ERAFP's adoption of a responsible investment policy is founded on twin convictions:

- Investments made solely for maximum financial return ignore the social, economic and environmental consequences, and
- Responsible investment filters enable better evaluation of the medium- to long-term risks and identify businesses that will generate future growth.

manufacture, sale or distribution of cluster munitions. We are seeing the beginnings of a similar outcry in North America, where growing concern about gun crime has resulted in an increase in requests for negative screens of gun-related companies.

Such rules mean that ESG policies are not the preserve of large investors or national buffer funds. They reflect an ethos at the country-level that investing should encompass extra-financial<sup>11</sup> factors such as executive remuneration, human rights, climate change, reputational risk and innovation.

It also is worth mentioning the ever-growing list of regulations, both national and international, with which investee companies must comply. These rules – on matters ranging from carbon emissions to executive pay – do far more to explain the rise of ESG analysis than do the regulations governing pension funds and insurers as investor types.

In spite of the inexorable mainstreaming of ESG, a homogenous, universal definition is still absent. Most organisations, including the United Nations (U.N.), prefer instead to frame the discussion in terms of principles. In practice, this leaves a whole range of options for investors wishing to implement an ESG policy. These range from negative screens – such as exclusion of arms manufacturers or breweries – to positive screens, such as inclusion of companies with superior programmes for personnel development or excellent internal governance.

The former are longer established and hold more money: US\$ 8.3 trillion, according to the Global Sustainable Investment Review 2012. This is understandable, as responsible investing began with religious organisations boycotting companies whose products or clients were in conflict with the investors' ethos. To this day, negative screens based on religious or moral criteria are commonly referred to as socially responsible investments (SRI). Since the 1970s, however, positive screens have grown in popularity for two reasons. First, some investors prefer to influence companies' policies "from the inside" rather than by exclusion.<sup>12</sup> Second, rewarding best-in-class businesses – with "best" defined as a combination of traditional financial metrics and ESG criteria – is seen as a worthwhile investment strategy.

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## CORPORATE GOVERNANCE IN EMERGING MARKETS

“Too often... controlling shareholders have the opportunity to engage in abusive behaviour, a circumstance that can be exacerbated in jurisdictions where transparency is poor and where a weak rule of law fails to give minority investors proper judicial recourse. For example, the case of Satyam Computer Services in India in 2009 demonstrates how a controlling owner can perpetrate fraud and serve the owner’s interests at the expense of minority shareholders. Similar examples exist in other markets. In 2008, Sibir Energy in Russia agreed to engage in property transactions to accommodate one of the company’s largest shareholders. In Gome Electrical Appliances in China, the company’s chairman and controlling shareholder was convicted in 2010 of manipulating the company’s stock—and has attempted to control the company from prison. Business group structures that bring together diversified businesses under the common control of a controlling shareholder add further complexity to concentrated ownership. In many countries, most firms are affiliated with a business group that is controlled by an owner through a complex web of ownership structures.”

*“Corporate Governance in Emerging Markets,” Harvard Law School Forum on Corporate Governance and Financial Regulation, George Dallas & Melsa Ararat, August 2011.*

## ESG WITHIN EMERGING MARKETS

There is something of a paradox, however, when applying ESG analysis to emerging economies. Countries such as Indonesia and the Philippines are attractive partly because their prospects for generating wealth are high compared to mature economies such as France or the United States. But in closing the wealth gap, companies in emerging markets may prefer lower standards of environmental, social and corporate governance “companies” refers to shareholders as much as the executives. After all, consideration of pollution, land degradation and certain labour rights were all but negligible during the industrialisation of Europe and North America. Broadly speaking, the development and maintenance of both human and corporate rights tends to rise in line with nations’ wealth.

Therefore, one would expect lower ESG standards in emerging markets.

A good example of this tension surfaces during international negotiations around reducing CO2 emissions. Some emerging economies argue that they should not be bound to alleviate environmental problems caused by pollution from the industrialisation of the world’s rich countries.

A similar issue of matching historic and modern norms arises when seeking common standards in governance. In Latin America, for example, industrial success during the middle of the 20th century relied upon huge enterprises controlled by the state or oligarchs. In 1983, state-owned and multinational corporations accounted for three-quarters of total aggregated sales of the 50 largest enterprises in Brazil, Argentina and Mexico. That concentration has only gradually been unwound, primarily via privatisation<sup>13</sup>. But lack of parity between shares held and voting power still exists in places in Latin America.

As prospective share- and bondholders, developed-world investors may experience the consequences of these on-going trends in ownership and power without necessarily having much sense of their history. All the more remarkable, then, is the relative paucity of analysis and benchmark services to help responsible investors evaluate emerging markets companies. Of all the papers on corporate governance on the Social Sciences Research Network, the pre-eminent hub for academic research globally, less than 1% focus on emerging markets.<sup>14</sup> Thus, we can say that the appeal of emerging markets as an investment destination over the last 15 years has run ahead of the kind of regulation and third-party analysis that responsible investors now desire.

As emerging markets narrow the wealth gap by growing in value, however, such codes and services will likely appear. But each region and country is distinct. The question for foreign investors in emerging markets is how much they should demand greater ESG analysis today – either to ameliorate their investment strategy or comply with their governance policy – rather than wait for appropriate regulation to appear in the years ahead. Blind faith in the development of emerging markets might have passed

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as acceptable 25 years ago, when the investable EM universe was 1% of global equity capitalisation. But today, that assumption does not fit well with fiduciary duty, and corporate governance has evolved for just about every country with a stock exchange. Emerging markets are too varied, too volatile and too important to the future of foreign funds to ignore the big issue of who actually controls companies in these regions.

### CREATING A NEW INDEX

One new vehicle in this area, developed by Northern Trust in partnership with MSCI ESG Research, is the new MSCI Custom ESG Emerging Markets Index. In essence, this is an index that incorporates traditional environmental and social screening with a sequential three step governance screen, unique in emerging markets, which addresses the issue of excessive boardroom influence by one or more parties within EM corporations, using a combination of positive and negative screens.

Governance matters in this context because the universe of EM equities is naturally skewed towards sectors with companies that have been de-nationalised yet remain national champions, notably energy, financials, materials and telecoms. Take telecoms, for example. In developed markets, this sector accounts for less than 4% of the total universe, whilst in emerging markets, the weighting is approximately double.<sup>15</sup> Contrast the healthcare sector, which accounts for 10% of developed markets but 1% in emerging markets.<sup>16</sup>

**TABLE 1 - Differentials in MSCI Index Weightings**

Sector	Emerging Markets	Developed Markets	Difference
Consumer Discretionary	7.87%	11.14%	-3.27%
Consumer Staples	8.73%	10.64%	-1.91%
<b>Energy</b>	<b>12.56%</b>	<b>10.24%</b>	2.32%
<b>Financials</b>	<b>26.50%</b>	<b>20.37%</b>	6.13%
Health Care	1.28%	10.53%	-9.25%
Industrials	6.46%	10.98%	-4.52%
Information Technology	13.78%	11.79%	1.99%
<b>Materials</b>	<b>11.74%</b>	<b>6.99%</b>	4.75%
<b>Telecommunication Services</b>	<b>7.73%</b>	<b>3.84%</b>	3.89%
Utilities	3.36%	3.48%	-0.12%

Source: MSCI 31 December 2012

The status of “national champion” may be evident in shareholder voting rights of state agencies or de facto control of the corporate agenda by such agencies. About 35% of constituents of the MSCI EM Index are owned or controlled by governments, powerful families or industrial groups. More significantly, roughly 70% of total earnings generated by all index constituents come from these companies in concentrated control.<sup>17</sup> Their governance has financial implications for foreign shareholders.

It must be emphasised that there is nothing wrong per se with such concentration. Government influence can improve the running of any enterprise, as can the continued majority control by a founding family after a limited initial public offering. Many industrials spread their success into new territories or business sectors as natural paths to grow and diversify. On the other hand, episodes of corruption as noted at Satyam Computer Services

of India and Sibir Energy of Russia demonstrate the dangers of concentrated, sufficiently unchecked power.<sup>18</sup>

Regardless of the identity of the major influence or the country of domicile, it is reasonable for minority shareholders to be concerned about potential dilution of their voting rights.

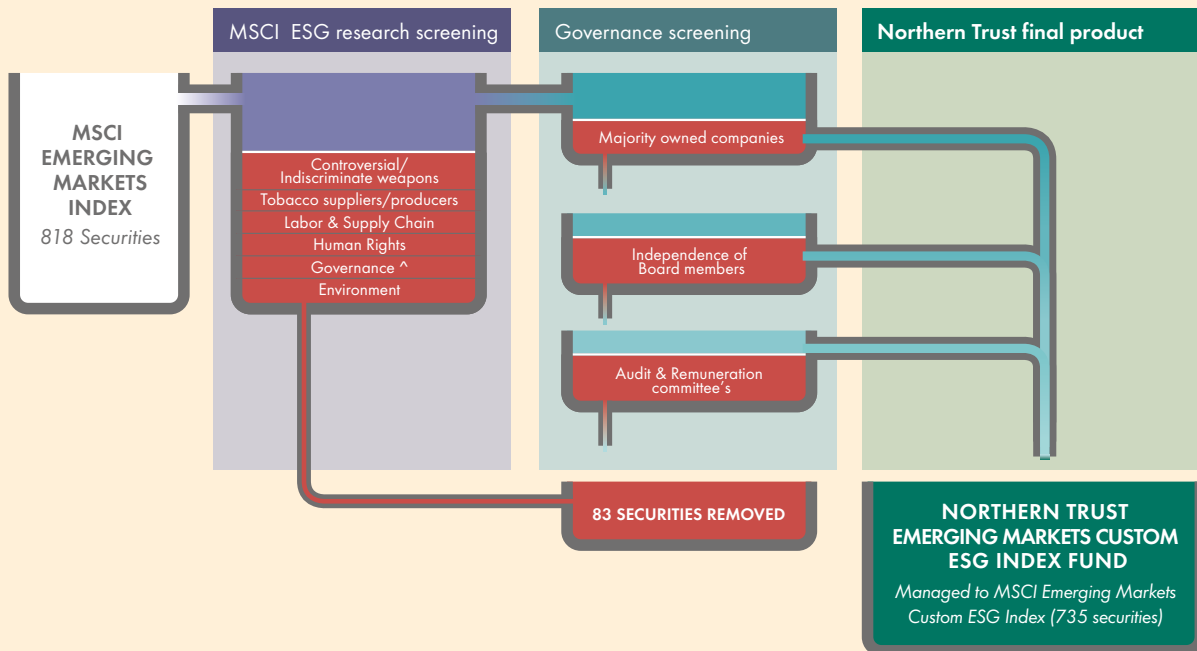
We noted earlier that not all countries in the MSCI Emerging Markets Index have been reluctant to introduce legislation on ESG criteria. The stock exchanges in Brazil and South Africa have introduced listing requirements regarding disclosure on ESG far in advance of most peers in developed world countries. Not only do Brazil and South Africa make up one-fifth of the MSCI EM Index, they have been working with other national stock exchanges in emerging markets, including China, to improve their ESG disclosure.

### METHODOLOGY CROSS-CHECKS OWNERSHIP

These facts only go to prove the un-sated appetite for greater ESG disclosure. Prudent investors want to be made aware of any potential risks – often idiosyncratic to each company – that need on-going surveillance and evaluation. And so, in order to distinguish well-run “national champions” from their weaker peers, the methodology of Northern Trust’s new MSCI Emerging Markets Custom ESG Index cross-checks majority ownership with the independence of board membership and functioning of various board committees. The conviction is that well-run companies will have in place at least some, if not all, of these universally recognised mechanisms for good governance.

The aim is to isolate and exclude only those corporations that fail all four sequential checks implemented by MSCI ESG Research, shown in Chart 1. In so doing, the process does not pejoratively pre-judge majority ownership.

CHART 1



Source: Northern Trust, MSCI ESG Research



The first, fundamental check that Northern Trust defined is to determine whether the company is controlled by a single entity or related entities. MSCI ESG Research takes a double-step approach here. First, it analyses the shareholder structure to determine which share classes actually carry voting rights. Then, they measure whether 50% or more of those rights are held by a single entity or related entities. Within the MSCI EM Index, they found approximately 240 such cases.

## GOVERNANCE SCREENING

1. Is the company majority-owned by a single entity or related entities?
2. Is there sufficient independence from the above entities on the executive board?
3. Are the audit and remuneration committees sufficiently independent?

director who has been either an employee or contractor of the company in recent years (the time period varies from market to market but is typically 36 months) or any current material supplier, contractor or adviser to the company or associated entities. Any of these individuals would not be deemed as truly independent.

The next two steps look for mitigating factors within this subset. The first is to identify the presence of independent directors on the executive board of the company. Such directors should be free from inappropriate links to both the company and any controlling entity. This is a strict test that identifies and fails any

The same test of independence is then applied to members of the audit and remuneration of the company in the third and fourth checks.<sup>19</sup>

Prior to these governance checks, three pre-screens are applied to the MSCI EM universe. The U.N. Global Compact's 10 principles are arguably the archetype for ESG guidelines, established for the sake of corporations around the world and to address specifically abuses such as the use of child labour and bribery.

First, constituent companies of the MSCI EM Index found to be in breach of the U.N. Global Compact are screened out. Second, manufacturers and suppliers of controversial weapons such as cluster bombs, landmines, nuclear weapons and their components are ruled out. It is worth noting that several European countries, including Belgium, Denmark, the Netherlands and Sweden, have banned both the use and

## UN GLOBAL COMPACT PRINCIPLES

More than 10,000 corporate signatories agree to adhere voluntarily to the U.N.'s global compact of 10 principles that complement rather than substitute for regulatory regimes. Companies violating the compact are expelled.

### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

production of landmines. In a highly publicised move, Dutch pension funds followed national policy and now shun manufacturers involved in landmines production. Third, manufacturers, suppliers and distributors of tobacco are excluded.

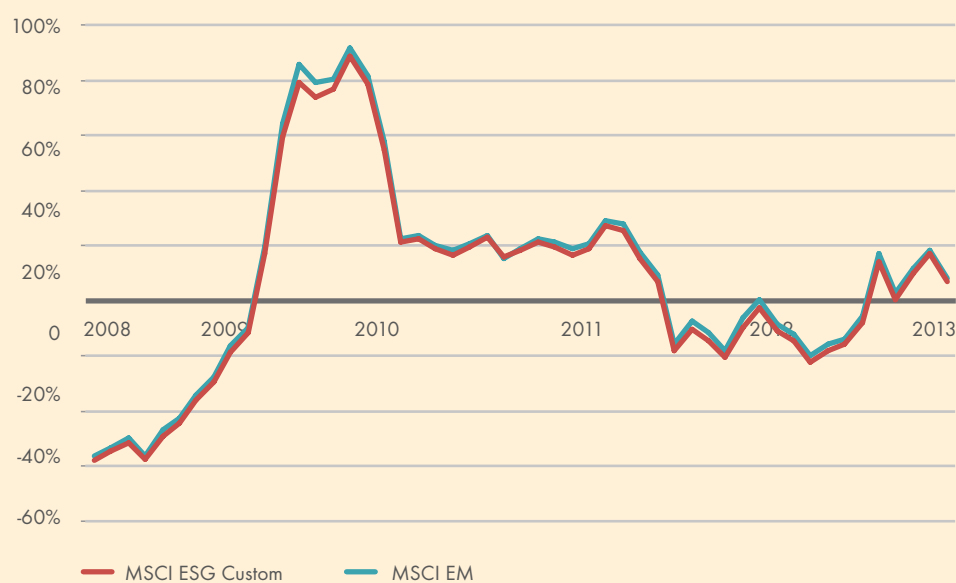
These three pre-screens, removed 34 companies, and 49 more constituents are excluded after the sequence of checks on governance and executive independence. The result is a universe of 735<sup>20</sup> names in the MSCI Emerging Markets Custom ESG Index.

The complexity and volume of the analysis across 22 countries should be recognised. Many index providers and ESG research specialists are unable to scrutinise the governance structures of the emerging markets universe on an on-going basis. Part of the problem is that companies report their key data annually and so can move in and out of the index depending on their satisfactory passage through the cross-checks. This facility also means it has been difficult to back-test the results of the new index.

However, as Chart 2 shows, the testing we have undertaken seems to indicate that 1.) the performance impact of the exclusion based on governance is not extensive; 2.) the rolling one-year returns of the custom index from 2008 to 2013 (7.06% one-year return) display similar performance versus the broader benchmark (8.01% one-year return); and 3.) a slight outperformance of the basket of securities excluded (6.68% one-year return).

What this screen does offer, though, is the potential to mitigate some of the long-term risk of holding securities in a poorly managed company that might ultimately fail.

**CHART 2 - Rolling 1-year returns**



Source: MSCI and Northern Trust, November 2012

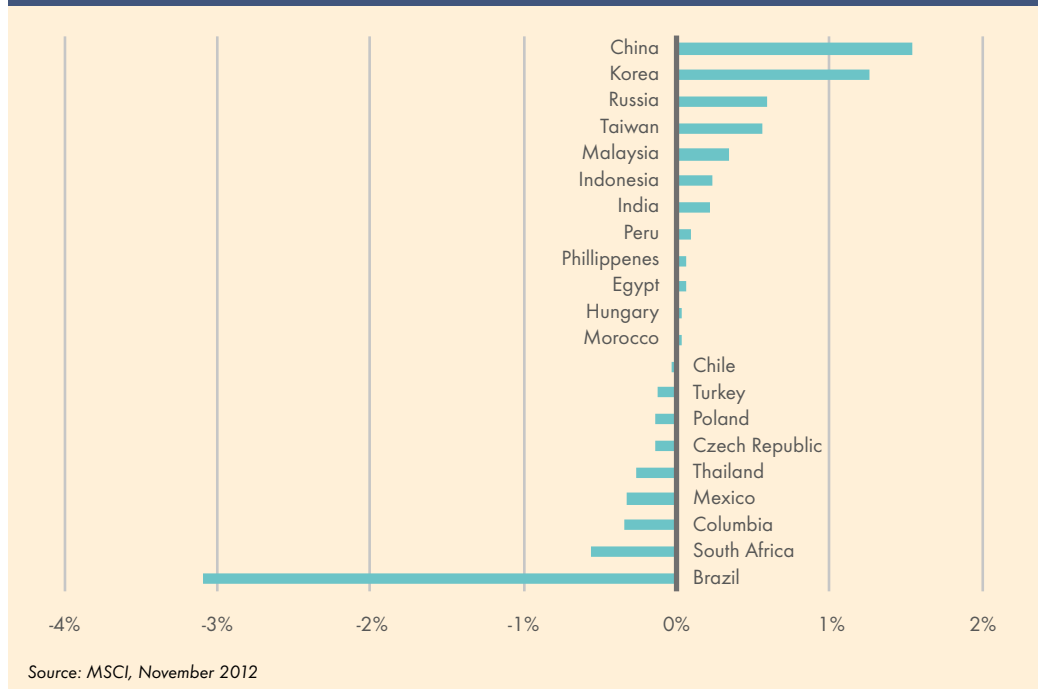
Chart 3 shows the country allocation of the custom index versus the original index, the MSCI Emerging Markets Custom ESG Index is more than 3% underweight Brazil and 0.6% underweight South Africa.<sup>21</sup> The most significant overweights are to China and South Korea, although neither is greater than 2%. The strongest underweight by sector is to energy, again by more than 3%, while financials is the heaviest overweight at 3.3%.

This entails tracking error versus the MSCI Emerging Markets index, which will be a consideration for some investors. As with any alternative index, whether it is considered



*“This index is unique in combining industry screens, norms-based screens and governance screens. Research shows that corporate governance matters in emerging markets and the addition of the governance screen should improve the investment quality of the index.”*  
 Thomas Kuh, executive director, MSCI ESG Indices.

**CHART 3 - Custom Index Relative Country Weights v MSCI Emerging Markets**



to be smart beta or ESG, there are risks and returns. It is worth noting that the number of excluded stocks is comparable with the typical number excluded by responsible investors in northern Europe in their equity screens. This index, however, specifically addresses the most-common exclusion criteria and mitigates the potential issue of concentration of power.

Clients can opt instead for Northern Trust’s Emerging Markets Custom ESG Equity Index Fund, managed against the MSCI Emerging Markets Custom ESG Index rather than the MSCI Emerging Markets Index.

### INTERESTING GROWTH POTENTIAL

Emerging markets continue to represent an interesting investment opportunity for institutional investors, however, as many strive to meet internal or external governance criteria. Although more than one-fifth of the world’s assets reportedly are managed according to ESG criteria,<sup>22</sup> the emerging markets opportunity set has not been accessible to all. The application of ESG criteria in emerging markets rather than developed markets has been weaker for lack of requisite information as well as historical and cultural differences. This is certainly true for the governance structures of publicly quoted companies in emerging markets, which demonstrate a preponderance of concentration of ownership rights in the hands of single entities.

Northern Trust’s Emerging Markets Custom ESG Equity Index Fund offers investors a means of applying both common exclusion screens and a filter for the potential negative effects of such majority control, allowing investors access to this growing asset class whilst meeting their governance needs.

### LEARN MORE

If you would like to learn more about how you can include ESG screens in your emerging markets investing please contact your Northern Trust relationship manager or visit [northerntrust.com](http://northerntrust.com).

## FOOTNOTES

- <sup>1</sup> Hermes Equity Ownership Services & NAPE, Pay Principles Paper, February 2013
- <sup>2</sup> Rise in EM passive funds raises issues about risk; Active vs Passive. Emma Boyde. Financial Times 12/10/2012
- <sup>3</sup> “Evolving markets: what’s driving ESG in emerging economies?” EIRIS September 2012
- <sup>4</sup> MSCI: All data as at 30 November 2012
- <sup>5</sup> World Bank, Indicators Data available at <http://data.worldbank.org/indicator>  
In 1984, the U.S. achieved 7.2% and China hit 15.2%.
- <sup>6</sup> Global Sustainable Investment Review 2012. N.B. Latin America and the Middle East are not included in this total.
- <sup>7</sup> Changing Perspectives on Passive Investing ([www.northerntrust.com/morebeta](http://www.northerntrust.com/morebeta))
- <sup>9</sup> Ethical guidelines were established for the Government Pension Fund – Global on 19 November 2004. The guidelines build on recommendations made by the government-appointed Graver Committee which presented its report in summer 2003. The committee identified two ethical obligations for the management of the Government Pension Fund – Global. First, the fund should be managed with a view to achieving a high return that will enable coming generations to benefit from the country’s petroleum wealth. Second, the fundamental rights of those affected by companies in which the fund invests should be respected. This ethical basis is promoted through two instruments: exercise of ownership rights and exclusion of companies from the fund’s investment universe.
- <sup>10</sup> The Occupational Pension Schemes (Investment, and Assignment, Forfeiture, Bankruptcy etc.) Amendment Regulations 1999
- <sup>11</sup> Extra-financial factors are those issues which are likely to have at least a long-term effect on business results and asset price performance but which lie outside the customary span of variables that get integrated into investment decisions.
- <sup>12</sup> Positive and negative screens are not mutually exclusive. Many sophisticated investors have a matrix of applications. Positive screens are almost impossible to implement if the governance policy stands in opposition to the fundamental
- <sup>13</sup> Between 1988 and 1996, Latin America accounted for 55% of total privatisations in the developing world. “Corporate Governance in Emerging Markets,” Ruth V. Aguilera, Luiz Ricardo Kabbach de Castro, Jun Ho Lee, and Jihae You
- <sup>14</sup> Dallas & Ararat. The authors’ research covered the years 2008 – 2010.
- <sup>15</sup> Data as at 30 November 2012
- <sup>16</sup> Data as at 30 November 2012
- <sup>17</sup> Northern Trust and MSCI 30 November 2012
- <sup>18</sup> Dallas & Ararat,
- <sup>19</sup> The check on the audit and remuneration committees is carried out twice in order to keep the universe at approximately 90% of the number of constituents in the MSCI EM Index. This reflects typical screens by European institutional investors which remove a similar number of stocks.
- <sup>20</sup> As at March 2012 – this number is subject to changes in accordance with the MSCI Index methodology
- <sup>21</sup> As at March 2012 – this number is subject to changes in accordance with the MSCI Index methodology
- <sup>22</sup> Source: Global Sustainable Investment Review 2012
- <sup>23</sup> As at 31 December 2013



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