

New Tool to Reduce \$5.4 trillion ESG Investment Gap in Emerging Markets

Future Investment Initiative (FII) Institute releases “Inclusive ESG Tool” and accompanying “Inclusive ESG Score” to help emerging market companies and global investors unlock investments.

- **Despite a global surge in sustainable investments over recent years, emerging markets receive less than 10 percent of ESG capital flows worldwide.**
- **After the success of the Inclusive ESG Framework developed by FII Institute in 2022, this year, FII Institute has partnered with ESG Book to create an online tool and score for investors to analyze ESG performance and make better investment decisions.**
- **Addressing data gaps in emerging market analysis, the Inclusive ESG Score identifies companies that prioritize ESG factors while fostering long-term sustainable growth.**
- **The Inclusive ESG Score drives the Inclusive ESG Ranking, which identifies the 250 most sustainable emerging markets companies, launched at the 7th edition of FII Institute’s flagship conference in Riyadh, FII.**
- **The new tool has the potential to help reduce the USD \$5.4 trillion ESG investment gap in emerging markets.**

26 October, 2023 – Riyadh and London – The Future Investment Initiative (FII) Institute, a global non-profit foundation dedicated to tackling global challenges, has unveiled its Inclusive ESG Tool and Score at the annual FII flagship conference to improve the quality of data on ESG in emerging markets and empower companies in these markets to receive financial flows. The initiative has been developed in partnership with ESG Book, a global leader in sustainability data and technology.

The FII Institute’s Inclusive ESG Tool has been developed to empower companies in these markets improve sustainability efforts and results while helping investors identify current and future performance leaders.

While there has been a surge in ESG investing over the past decade, with an estimated USD \$38 trillion in sustainability-led assets now under management worldwide, emerging markets continue to receive less

than 10 percent of ESG capital flows, despite accounting for 58 percent of global GDP. The new Inclusive ESG Tool has the potential to help reduce an ESG investment gap of USD \$5.4 trillion in emerging markets¹.

Interviews conducted by FII Institute with leading global investors have revealed that ESG rating agencies are one of the main barriers to increasing investment in emerging markets, with a core challenge being that many rating agencies use KPIs that are not relevant to emerging markets.

In 2022, the Inclusive ESG Framework and Scoring Methodology developed by FII Institute met this need by answering the key question for investors: "What does good ESG performance look like in emerging markets?"

This year, with the unveiling of the Inclusive ESG Tool and Score, FII Institute recognized the need for metrics that are tailored specifically to the challenges of emerging markets. Its systematic materiality approach emphasizes industry risk, ensuring an equitable evaluation of companies operating within diverse sectors. To promote transparency and accuracy, the score differentiates performance and disclosure analytics.

The primary analytic of the toolkit is the Inclusive ESG Momentum Score, which integrates current performance and ongoing change in companies' sustainability performance. It acknowledges corporate commitment in driving positive change by indicating future ESG performance. Combined with a company's current ESG Performance Score and Disclosure Score, it provides a comprehensive and nuanced picture of corporate sustainability performance.

Based on the new score, FII Institute and ESG Book have co-developed a Top 250 Inclusive ESG Ranking to identify the most sustainable emerging markets companies. The ranking has launched alongside the new tool at FII Institute's flagship conference in Riyadh, FII7, which takes place from 24 – 26 October 2023.

Richard Attias, CEO, FII Institute, said: "Our planet faces immense challenges, including global warming, a rapid decline in biodiversity, and an increasingly unbearable cost of living for many. However, we are not without the means to address these issues. Our global financial markets are more interconnected and driven by change than ever before. Investing in ESG (Environmental, Social, and Governance) initiatives plays a pivotal role in the solution. These funds should be strategically directed toward emerging markets where their impact is most needed, all while ensuring the returns necessary for the vitality of these markets."

Dr Daniel Klier, CEO, ESG Book, said: “We are delighted to be collaborating with FII Institute to usher in a new approach to ESG data in emerging markets. The Inclusive ESG Score is a next generation tool for investors that identifies the sustainability leaders of today and tomorrow, with a transparent, data-driven approach that is tailored to emerging markets. Through this partnership, we look forward to providing a solution that enhances investment decision-making, and in turn helps to drive greater ESG investment flows to emerging market companies.”

References:

- 1) In 2021, 3.4% of global ESG-based assets under management (AUM) were held in emerging markets, while 20.2% of total global AUM were held in emerging markets. This equates to a gap of USD \$5.4 trillion. ESG Book, 2023.

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About FII Institute

The Future Investment Initiative (FII) Institute is a global non-profit foundation with an investment arm and one agenda: Impact on Humanity. Global, inclusive and driven by data, we foster great minds from around the world and turn ideas into real-world solutions and actions in four critical areas: Artificial Intelligence (AI) and Robotics, Education, Healthcare and Sustainability. Learn more: <https://fii-institute.org/>

About ESG Book

ESG Book is a global leader in sustainability data and technology, with a mission to transform finance through sustainability by making ESG data accessible, comparable, and transparent. ESG Book is the only provider in the world to combine a highly competitive, global sustainability dataset reported by corporates together with a disclosure platform. ESG Book’s solutions are used by many of the world’s largest financial organisations including Bloomberg, BNY Mellon, Citi, Dow Jones, JP Morgan, HSBC, and Glass Lewis. For more information, visit esgbook.com