

Developing Value 2: In Search of Emerging Markets Excellence

IFC and SustainAbility are launching new research into companies in emerging markets. The hunt is on for emerging-market businesses that have achieved investment-grade status through good environmental, social and governance practices.

Do you know of an innovative South African company that has access to global financial markets thanks to its environmental excellence? Or an Indian entrepreneur whose innovative business model has allowed his company to respond to a social need and thereby to attract global partners and investment? Or of an admired CEO in Brazil who is achieving investment-grade ratings for his company's securities through world-class corporate governance?

If so, please let us know.

The International Finance Corporation, the private-sector arm of the World Bank Group and SustainAbility, an international consultancy and think-tank, are today launching a major project to find out how emerging-market companies have attained investment-grade ratings, driven innovation and created new forms of value through good environmental, social and governance (ESG) policies.

The study aims to provide practical guidance to business professionals in emerging markets. This will include specific guidance on how to:

- ▶ Identify those issues that are the most relevant for long-term value creation
- ▶ Reflect the varying needs and priorities of different stakeholders (eg, investors, business partners and employees)
- ▶ Communicate effectively with these groups
- ▶ Achievement of investment grade and gaining access to capital or reduced cost of capital due to improved balance-sheet health and sound internal rates of return (IRR).

The study will also enable the best cases of innovation in emerging markets to get the global recognition that they deserve. The project is kicking off with a call for examples of business success in emerging markets where ESG performance has been a significant factor. All submissions will be reviewed, and a select sample of the most impressive stories of success will be featured in our upcoming report. Success and value creation will be judged in the context of our proven analytical framework.

Indicators of business success include:

- ▶ Improved earnings/profit margins, driven by sales/revenue growth and improved market access as well as cost savings and productivity gains
- ▶ Improved risk management and license to operate
- ▶ Better human capital
- ▶ Enhanced brand value and reputation

ESG excellence can be achieved through:

- ▶ Good corporate governance
- ▶ Stakeholder engagement
- ▶ Sound environmental management
- ▶ Innovative products & services that meet environmental or social needs
- ▶ Contributions to local economic growth and community development
- ▶ Good labor standards

The work will build on *Developing Value: The Business Case for Sustainability in Emerging Markets* which IFC, SustainAbility and the Ethos Institute published in 2002. That publication was a landmark the first to make a compelling case as to why ESG factors are relevant for emerging-market corporate competitiveness. It provided a conceptual understanding of the links between ESG management and the drivers of business success. The *Developing Value* report is available at www.sustainability.com/developing-value and www.ifc.org/ifcext/enviro.nsf/Content/Publications_SustTopics