

Tuesday 17 December 2024

Dear CEO, Chair, CSO,

RE: Investing Sustainably in Emerging Markets

As a leading asset manager, World Benchmarking Alliance is encouraging your firm to introduce a process to prevent inadvertent ESG-related divestment from emerging markets (EMs).

This initiative is also supported by others including **New York City Comptroller, Asia Investor Group on Climate Change (AIGCC), Principles for Responsible Investment (PRI), Pensions for Purpose** and **Ninety One asset management**.

Why is this important?

EMs represent the next big opportunity for sustainable investing strategies. These regions are home to 85% of the world's population and nearly 90% of people under 30. They also need significant amounts of capital for their energy transitions, to meet the UN SDGs, and for sustainable growth more generally.

However, [evidence suggests](#) that the ESG policies and sustainable investing strategies of some asset managers may inadvertently be causing divestment or underinvestment in EMs, leading to negative real world outcomes. This is why we are encouraging your firm to put a transparent process in place to manage this. This will be helpful to your firm and benefit your business.

Why does our firm need to act?

Investing in EMs is challenging. The reasons for this are multifaceted and many are outside the control of investors. However, putting a process in place to prevent inadvertent ESG-related divestment from EMs is something that every asset manager can do, without relying on other actors. This is why, while acknowledging there are other issues that also need addressing, we are encouraging your firm to make this change.

What exactly does our firm need to do?

We are encouraging asset managers to put a transparent process in place for avoiding divestment from EMs as unintended consequences of its sustainability strategies and targets. This corresponds to the new indicator 19.iii) of our Financial System Benchmark [methodology](#), which will be an indicator highlighted in our results reporting of the upcoming iteration in January 2025 and going forward.

Our [Financial System Benchmark](#) assesses 400 of the world's most influential financial institutions on their sustainability profiles. Your firm is included in the Benchmark.

We are not prescriptive in terms of what this process should look like, only that it is created and disclosed. We have suggested some potential steps [here](#) (see 'Best Practice Examples'). We are encouraging asset managers to create a process incorporating these or similar steps, and publicly disclose it on their website. This is also aligned to the updated [Net Zero Investment Framework](#) (NZIF 2.0), which has a new emphasis on tracking emissions associated with climate solutions, transition assets, and emerging markets (STEM emissions) separately.

Finally, WBA is organizing several **webinars** to help guide asset managers on the project and introducing the processes. We will circulate the invites to these once finalised.

How will this help our firm?

There are several reasons this will help you:

1. Disclosing this process will improve your firm's score in our Benchmark. The new results are due to be released January 2025, and updated again in January 2026.
2. We will be highlighting examples of policies that have been put in place as a positive development, both publicly and to the users of our data, including to financial regulators and policymakers.
3. We will also be highlighting introduced policies to the 80 asset owners included within our Financial System Benchmark, so this information is available to them to take into consideration as part of their mandate-setting and manager selection processes.

I hope this is clear, and please do reach out with any questions. We would also be happy to engage further on this, and look to expand engagement more broadly to all stakeholders through our supporting organisations and civil society.

Best wishes,

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