

Media release

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Sustainable companies in emerging markets are forecast to significantly outperform non-sustainable emerging market stocks

Emerging market companies that meet Bank Sarasin's proprietary corporate sustainability analysis are forecast to significantly outperform non-sustainable emerging markets stocks according to Bank Sarasin's latest sustainability research, "Emerging Sustainability – Sustainability analysis of emerging market companies". Sarasin's Sustainability Research team analysed approximately 360 emerging market companies, identifying a sustainable investment universe for emerging market stocks. When back tested, this universe significantly outperformed the MSCI Emerging Markets Index from June 2000 to February 2010, achieving an increase in value of 409% compared to 171% for the broader Index (USD base).

Sarasin forecasts that the positive impact of sustainability will continue in the future. The report notes that environmental, social and governance aspects, which are beneficial in terms of screening risk, are referenced in a very limited manner for emerging market investments, increasing the likelihood that this type of information has not yet – or only partially – been priced into company valuations.

Sustainability pays off

"Sustainability is not only a success factor for companies, but for investors. Sustainable emerging market companies are better equipped for the coming challenges, and this will be reflected in lower risks and superior return opportunities." – Andreas Holzer, Sustainability Research Analyst and author of the report

In Asia, the report features the following sustainable companies:

- PRC-based Suntech Power, the world's largest producer of mono and polycrystalline cells and modules. It has a comparative advantage in terms of size, technical expertise, customer base, and growth. Quality control is well developed, ISO9001 certified, with a 25-year guarantee issued for its products.
- India-based Suzlon, one of the world's top three producers of wind turbines. The company has a 12% global market share and 50% of the Indian market for wind turbines. Suzlon owns a majority stake in German manufacturer REPower AG.
- Taiwan-based electronics firm AU Optronics (AUO), one of the world's largest manufacturers of LCD flat screens. AUO has a comprehensive programme that integrates environmental protection from procurement through to product development and logistics. One of the important aspects of their products is energy efficiency. The company applies certain international minimum labour standards in China.

- Globe Telecom, the second largest telecommunications company in the Philippines. It introduced an electronic payment system via mobile phone credits, allowing the rural population access to banking services and low-cost remittances from Filipinos abroad.
- Jain Irrigation, India's largest manufacturer of irrigation plants, particularly efficient sprinklers and drip irrigation systems.

Other stocks mentioned included Cemex of Mexico, the world's third largest cement manufacturer; South African mining company Lonmin, one of the world's largest producers of platinum; South African pharmaceuticals company Aspen Pharmacare, one of the largest manufacturers of generic antiretrovirals for HIV/AIDS; South African Nedbank, the first bank in Africa to adopt environmental and social standards in the field of project finance; Brazilian Itau Unibanco; Brazil-based Natura Cosméticos, which uses plant-based materials and applies environmental and social principles to procurement.

Sarasin notes that the trend in general conditions for sustainable growth in the emerging markets is at a turning point. After two decades of strong, generally unregulated growth, a transition to more responsible growth is currently taking place. This is particularly noticeable in China.

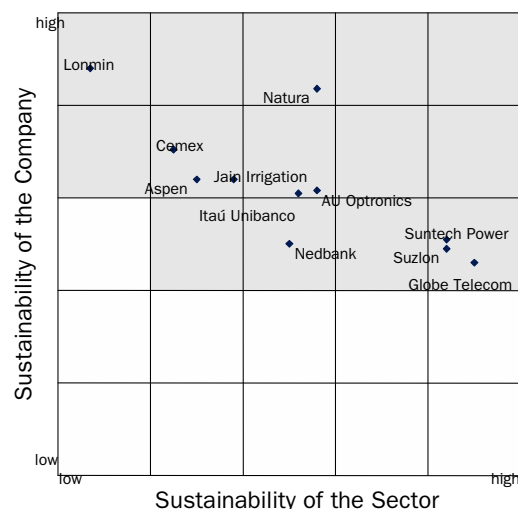
The shift toward sustainable development is driven by legislation against polluters and polluting products, the introduction and promotion of green technologies, pressure to improve social standards such as working conditions, labour scarcity, health and education, scarce water resources, consumer preferences for environmentally products especially food and drink, as well as an increase in sustainability reporting in terms of corporate governance, among other factors.

What is Sarasin's understanding of sustainability as practised in business?

Sarasin defines sustainability in business as the socially responsible production of goods and services with maximum resource efficiency using production methods with a low potential for conflict.

Note to Editors: Bank Sarasin's proprietary corporate sustainability analysis utilizes a comprehensive set of criteria including environmental and social.

Performance by the sustainable investment universe



For its latest report, Bank Sarasin analysed 360 emerging market companies and identified those which already effectively incorporate sustainability aspects into their business activities. Companies in the grey shaded area (only a selection shown) belong in Bank Sarasin's universe of sustainable investments. In the period from June 2000 to the end of February 2010, the stocks in this universe saw their value grow by 409% in back testing, while the MSCI Emerging Markets Index advanced 171% (in USD terms). Given the enormous importance of environmental and social risks, and the opportunities associated with sustainable development in emerging markets, giving consideration to environmental, social, and corporate governance aspects when making investment decisions should continue to have a positive impact on the risk/return profile of a portfolio.

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Copies of the complete report “Emerging Sustainability - Sustainability analysis of emerging market companies” are available for a copyright fee of CHF 50 / EUR 35 (free to clients and the media) from:

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