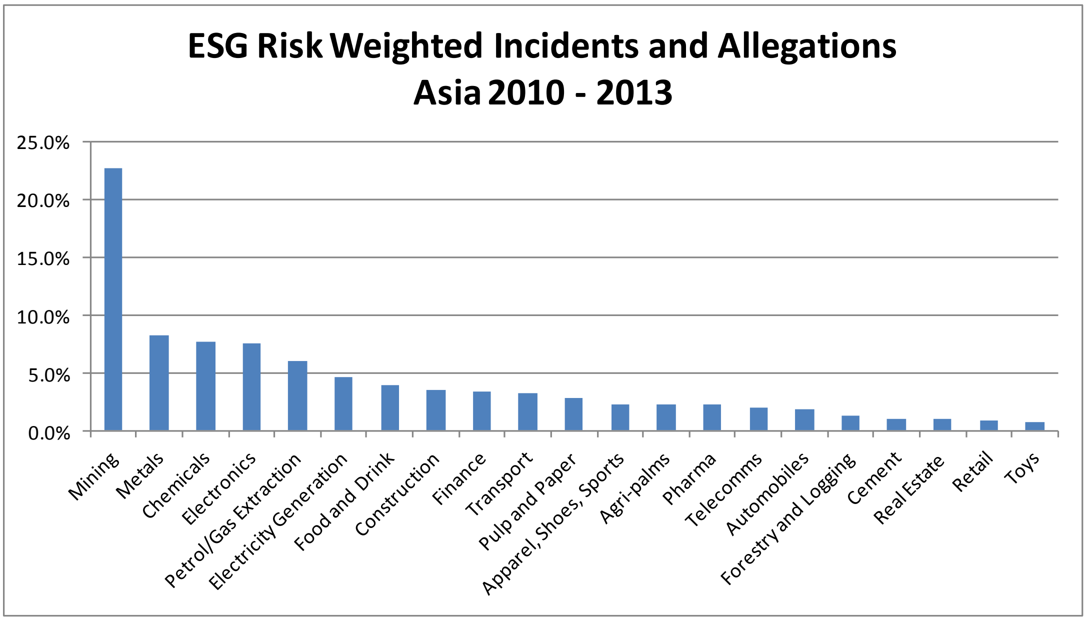
InvestAssure
Sustainable value in emerging markets

June 2013 **NIMBUS Update** **www.investassure.net**

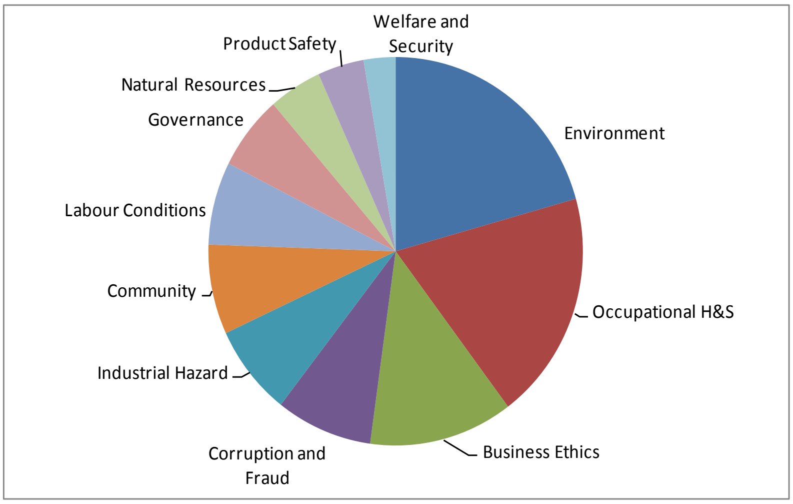
NIMBUS monitors over 4,500 companies for incidents and allegations of unethical behaviour and poor environmental, health and safety performance in emerging economies. We detect about 100 per month.

Responsible Sourcing and Investment - Profiling the ESG Risk Chain

Media and NGO attention on apparel, toys, palm oil, and logging activities are successful in alerting public sensitivities to poor working conditions and pressurising brands to do more. Investors whose primary concern is to avoid reputational damage tend to respond similarly to the high publicity incidents and allegations. But if the objective is genuinely to minimise ESG impacts across a supply chain, and to drive sustainable business, then the graph below provides better insight.



InvestAssure's NIMBUS database of web monitored corporate ESG incidents and allegations reveals the scale of ESG impacts which lie further up the value chain, away from the consumer interface. By rating the corporate allegations and incidents reported on the web according to severity of human and environmental impacts, we obtain a distribution of ESG risks. Mining impacts account for nearly a quarter of all monitored ESG risks. Manufacturing of metals and chemicals, petroleum and gas extraction and electricity generation account for another 25%. All other sectors account for less than 5%, each except for electronics.



The dominance of heavy industry and hazardous manufacturing sectors as key sources of ESG risks is caused by a high incidence of environmental, health and safety incidents. Fatalities in the Chinese mining sector are very significant in this respect, but so too are pollution and waste from hazard processes, as well as unethical business practices in the treatment of communities. It suggests that responsible sourcing and investment programmes probably need to re-balance, with a particular focus on upstream environmental and H&S impacts, if they really want to make a difference.