



**InvestAssure**

Sustainable value in emerging markets

# **Web-Monitoring ESG Performance Risks**

# Who are we?



- Founded by **Paul Wenman (Oxford)**
  - Owner of SourceAsia and CSR China since 2004
  - previously with ERM, Ernst & Young since 1984
  - Clients include BP, Conoco, Pfizer, GlaxoWellcome, Procter & Gamble, Unilever, Novartis, Hyundai, E.ON, Next, ANZ, Norwegian Government
- Hong Kong business manager **James Pearson**
  - owner of Pacific Risk Advisors, Hong Kong, since 2004
  - previously with ERM in UK and Asia since 1987
- China research partner is **SynTao (Beijing)**
  - Specialists in CSR and SRI in China
- We partner with consultancies, researchers and regional specialists to bring expertise across a wide range of risk issues and regional markets.

# What do we do?



- InvestAssure provides **advice and support** for responsible business, sourcing and investment
- We **monitor and investigate** environmental, social, governance (ESG) and other ethical aspects of Asian investment portfolios, supply chains, and business partnerships.
- We apply a **unique web-tracking and risk assessment process** to monitor corporate incidents and allegations
- We provide **regular risk alerts** of potentially risky incidents and allegations
- We undertake in-depth company, sector and other **ESG analyses**
- We maintain a growing **database of corporate data** to allow historical checks as input to due diligence, risk assessments and planning decisions

# The ESG Risk Chain



Partner

*Who am I in business with?*

Producer

*Who am I buying from?*

Product

*What am I buying?*

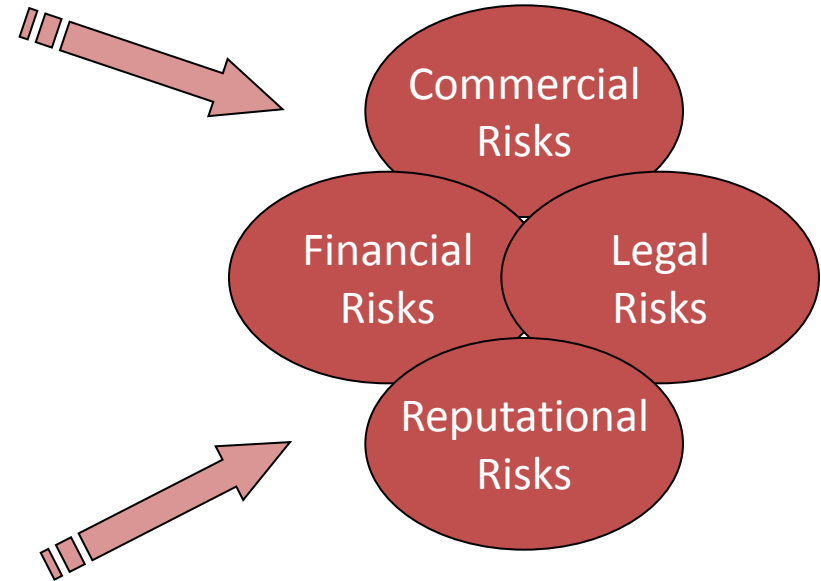
Process

*How was it made?*

People

*Who made it?*

Environment  
Natural Resources  
Occupational H&S  
Labour Conditions  
Welfare and Security  
Human Rights  
Communities  
Corruption and Fraud  
Business Ethics  
Product Safety  
Animal Rights

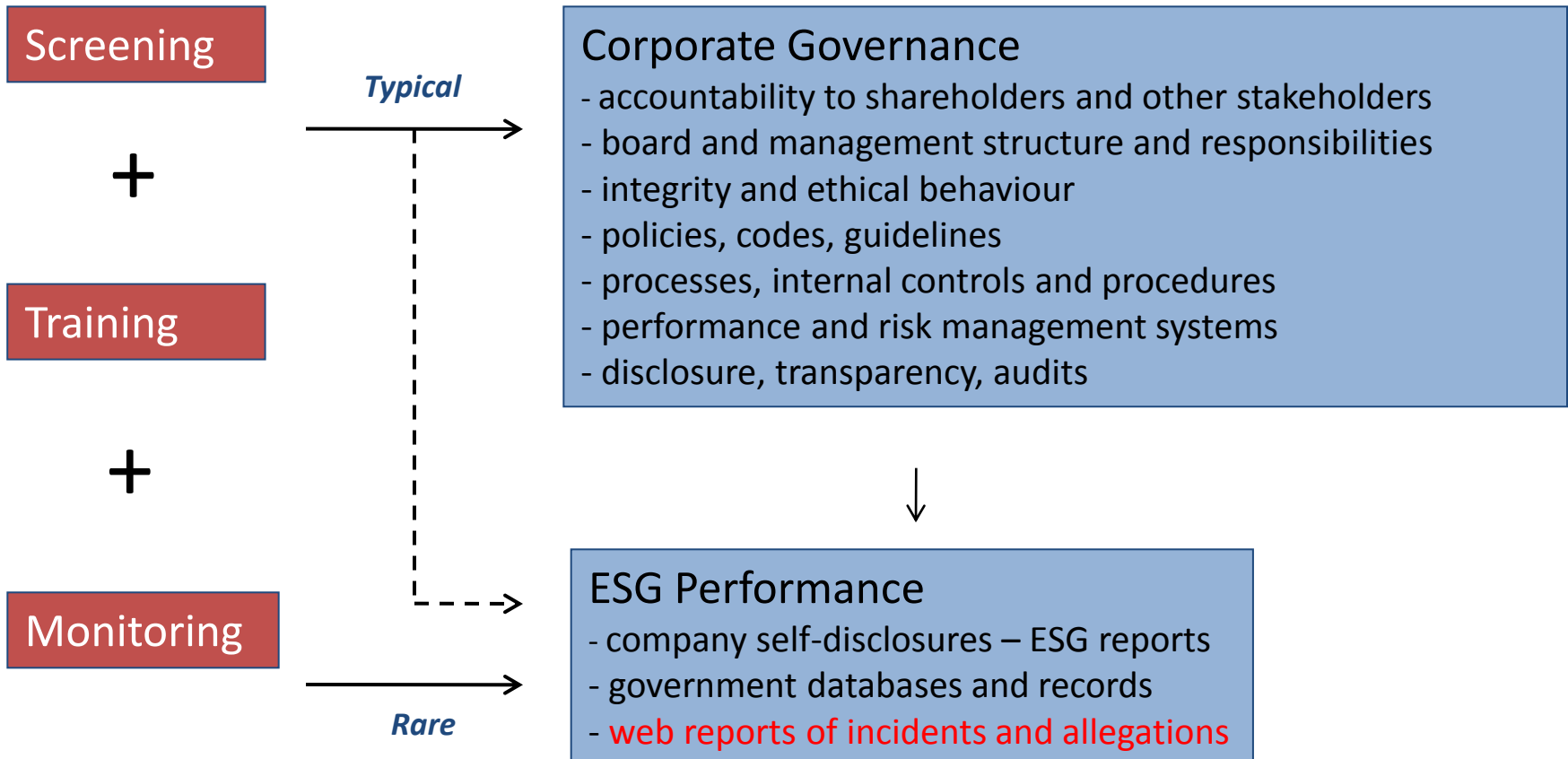


# ESG Risks in Asia



- There are ethical risks to doing business in Asia
  - Environment and natural resources
  - Occupational health and safety, labour conditions
  - Corruption, fraud and business ethics
  - Product safety
- What can you do?
  - Due diligence
  - Compliance audits against codes and standards
  - Training – HR, EHS management, operational control, productivity
  - ESG indices only for large companies and don't reflect real performance
- Audits and training are not enough
  - What happens after an audit has been completed?
  - How do we know if there is an incident or stakeholder allegation?
  - How do you get assurance if you are dealing with hundreds or thousands of Asian companies?

# ESG Performance Data Gap

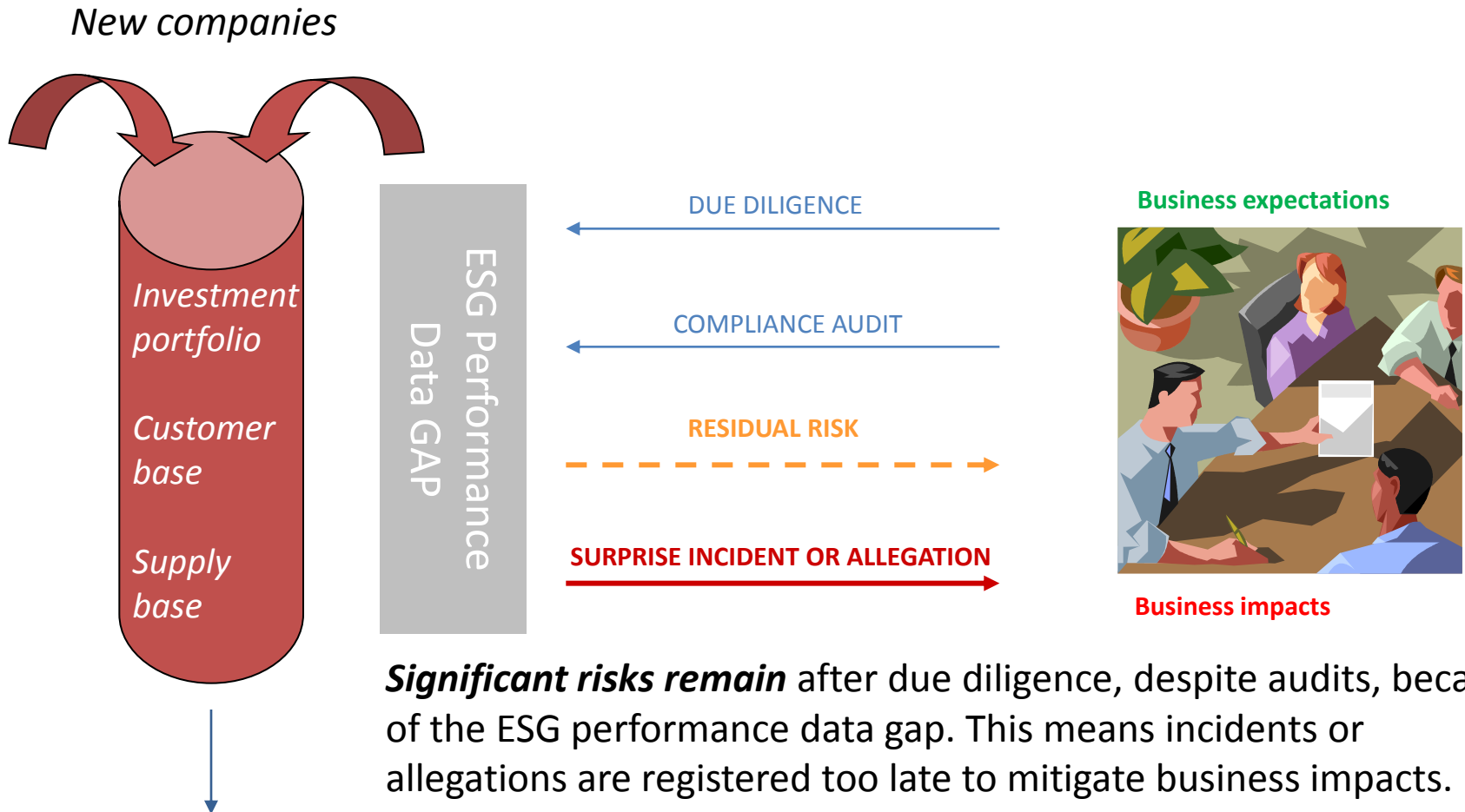


# InvestAssure Fills the Data Gap



- InvestAssure is an **Ethical Radar**
  - Tracks 4,000 companies in East and Southeast Asia
  - Monitors web news and blogs
  - Tracks ESG incidents and allegations
  - Clients include ANZ bank, Norwegian Government Pension fund
- InvestAssure is an **Early Warning System**
  - Customised web monitoring relating to a portfolio or supply chain
  - E-alerts and regular reports available online
- InvestAssure is a **Risk Assessment Tool**
  - Screening of potential investees, JV partners or suppliers – assessing significance of web reports in relation to a core business risk framework
  - Due diligence, providing inputs to help focus audits and investigations

# Typical Risk Management

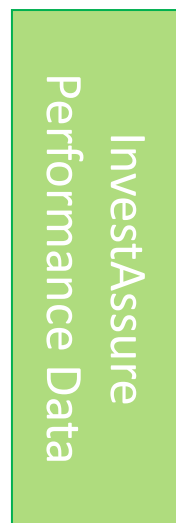
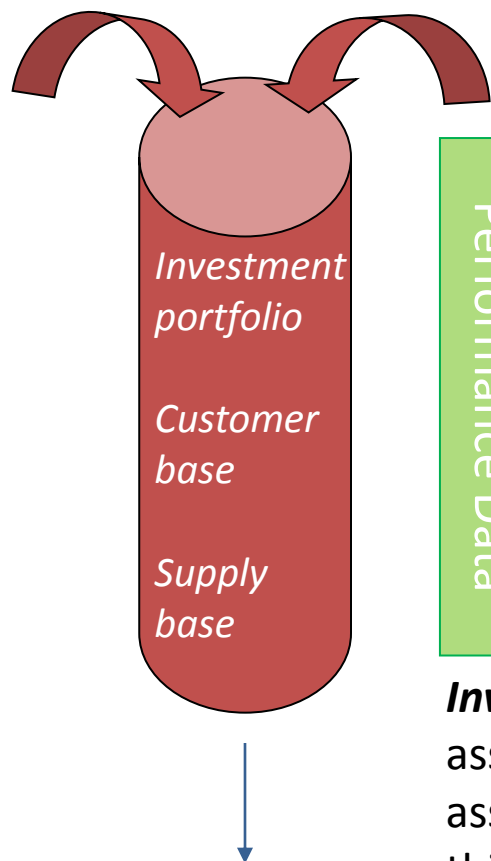




# InvestAssure Risk Management



*New companies*



**Business expectations**



**Business impacts**

***InvestAssure fills the performance information gap***, feeding risk assessments and audits and providing an additional layer of assurance, based on web monitoring of incidents and opinions of third parties - NGOs, communities, employees and local authorities

# InvestAssure ESG Data Feeds Risk Management Cycle



# InvestAssure Monitoring Coverage of EGS Issues in Asia



Operational health and safety

Labour conditions

Welfare and security

Human rights

Environmental impacts

Natural resources

Corruption and fraud

Business ethics

Product safety

Community impacts

Social responsibility

Industrial hazards

Governance

Australia

Bangladesh

Burma

Cambodia

China (inc Hong Kong)

India

Indonesia

Japan

Laos

Malaysia

Papua New Guinea

Philippines

South Korea

Thailand

Vietnam

# Case Study - ANZ



**ANZ is a top four Australian bank** with operations across Asia and the Pacific in 14 markets.

**ANZ aims to work with corporate customers to ensure they manage their social and environmental risk.** This includes screening prospective clients and also conducting annual reviews of their operations

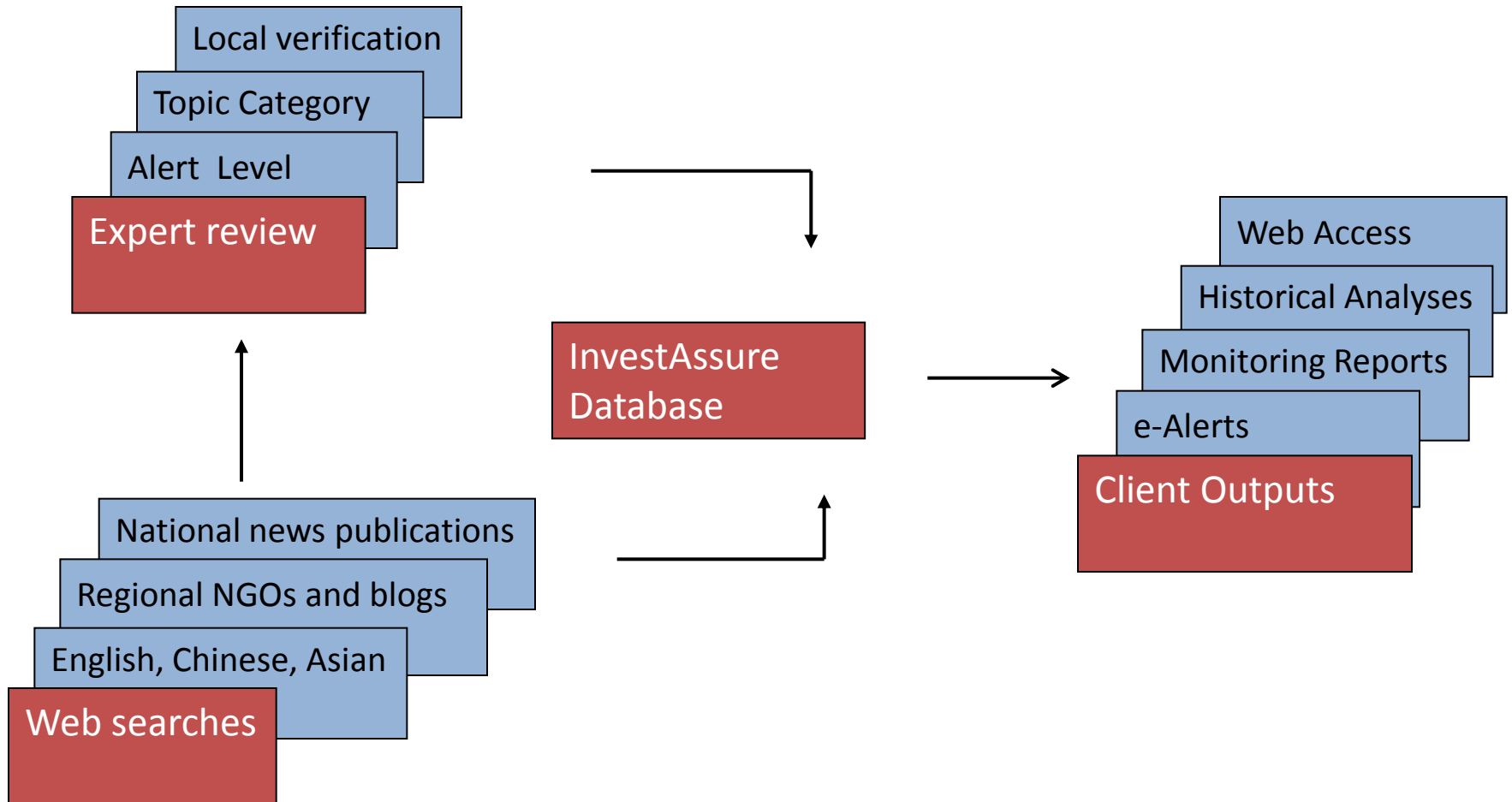


**The bank also monitors for ongoing developments to ensure early identification of issues** and works closely with the client to mitigate any risks that arise. The primary source of information used is SourceAsia's InvestAssure database which monitors for environmental, health and safety, ethical and social incidents and allegations

**ANZ chose InvestAssure because of its clear Asia-Pacific capability** which includes monitoring in English, Mandarin, Japanese and a range of other languages. It also monitors a greater number of sources than its competitors given it encompasses Factiva as well as web based information

**The InvestAssure data is used to inform ANZ's relationship managers when an issue has arisen** with their client. Depending on the severity of the allegation ANZ may choose to raise it directly with the client and help them to manage the issue

# InvestAssure Process

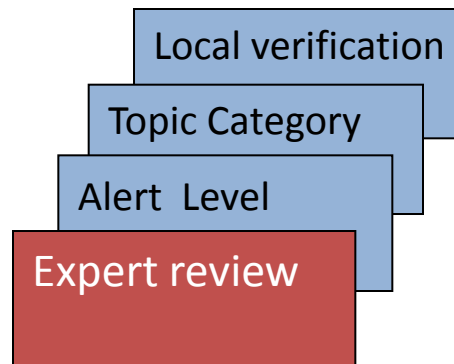


# Web Searches



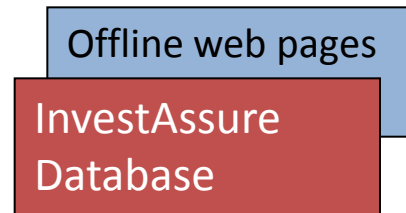
- We use an intelligent internet search system
- We monitor:
  - hundreds of regional NGO web sites and blogs
  - in English, Chinese, 5 other Asian languages, Spanish and Portuguese
  - national and international news agencies and publications
- We identify reports of incidents and allegations of unethical corporate practices in Asia.

# Expert Review



- Our Asian researchers assess and validate web search outputs
- Assign Alert Level rating to guide on risk and need for action
- We can undertake further research and investigations:
  - local media reviews
  - confidential interviews with NGOs
  - communities and employees
  - site audits
  - risk data analyses.

# InvestAssure Database



- Web reports are added to our central database of ~4,000 companies
- Database reports include:
  - company name and unique reference number
  - summary and full descriptions of allegations
  - x-refs to database previous reports
  - web links to key sources and further information
  - date, country, sector, topic
  - company response
  - offline copies of web pages archived for future reference



# Client Web Access

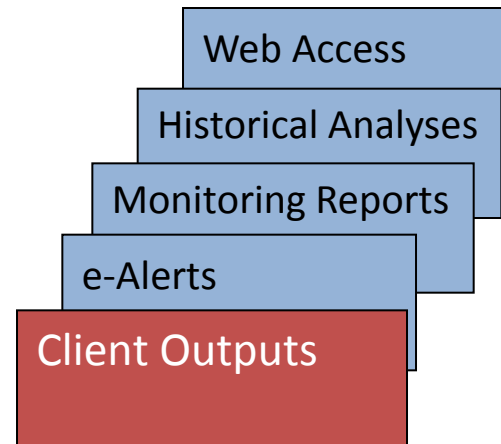


## InvestAssure Asian Companies

### High Alerts

Title	Summary	Date
<b>Foxconn International Holdingsii</b>	On April 7th there was another attempted suicide at the contract electronics manufacturer Foxconn in Shenzhen. In the previous month at the Foxconn site, already two people had committed suicide and one other attempt had been made.	<a href="#">26th Apr 2010</a>
<b>HTC</b>	The Taiwanese Council of Labor Affairs has confirmed allegations made by employees that Young Fast Optical, a supplier to HTC, illegally employed workers under the age of 16 to work long hours	<a href="#">26th Apr 2010</a>
<b>Huajin Coking Coal</b>	A week after the rescue of 115 miners from a flooded coal mine in Shanxi, the death toll at the Wangjialing Mine has risen to 35, with three miners still unaccounted for	<a href="#">26th Apr 2010</a>
<b>Janthakal Enterprises</b>	Janthakal Enterprises has had its mining lease cancelled by the environment ministry after it was found to have forged letters which claimed to grant them permission to lift the old waste dump from the Janthakal Mine.	<a href="#">26th Apr 2010</a>
<b>KYE Systems</b>	A report released by the US National Labour Committee accuses KYE, a factory in Guangdong province which supplies Microsoft, of a wide range of Labour Law violations including illegal recruitment of teenagers who work 15 hour shifts, six and seven days a	<a href="#">26th Apr 2010</a>
<b>Qidong Shunda Mining Industry</b>	On April 8 a flood caused the death of 1 miner. Five miners who had been trapped underground since April 8 were all rescued by April 10.	<a href="#">26th Apr 2010</a>
<b>Shanxi Coking Coal Group</b>	A week after the rescue of 115 miners from a flooded coal mine in Shanxi, the death toll at the Wangjialing Mine has risen to 35, with three miners still unaccounted for	<a href="#">26th Apr 2010</a>
<b>Shengsen Silicon Technology Development</b>	On April 4, two people were killed and one was injured when a high-pressure storage tank containing silicon tetrachloride exploded at the site of Shengsen Silicon Technology Development Co., Ltd, in Chifeng City, north China's Inner Mongolia Autonomous Re	<a href="#">26th Apr 2010</a>
<b>Sinar Mas</b>	Greenpeace has released new satellite images it says links Indonesian oil palm producer Sinar Mas to the clearing of high value rainforest, a practice the firm had vowed to stop.	<a href="#">26th Apr 2010</a>
<b>Songyuan Jian Biochemistry Co., Ltd.</b>	On April 11th 3 people died and 6 were injured by electrical shock at the Songyuan Jian Biochemistry Co., Ltd.	<a href="#">26th Apr 2010</a>

# Client Outputs



- Web reports are available for management and assurance needs:
  - as e-alerts in spreadsheet format customised to client needs
  - Full monitoring reports, including key web links
  - historical analysis to support due diligence and highlight trends
  - web database access organised by Alert Level, Country, Sector and Topic

# Full Reports



Reference	2010-04-05
Previous reference	
Date of web report	Apr-10
Company	Janthakal Enterprises
Sector	Mining - metals
Country	India
Location	Karnataka
Summary	Janthakal Enterprises has had its mining lease cancelled by the environment ministry after it was found to have forged letters which claimed to grant them permission to lift the old waste dump from the Janthakal Mine.
CSR category	Business Ethics
Alert rating	1
Primary source	Indian Economic Times
English web links	<a href="http://economictimes.indiatimes.com/news/news-by-industry/indl-goods-/-svs/metals--mining/Karnataka-firm-denied-mining-lease/articleshow/5823724.cms">http://economictimes.indiatimes.com/news/news-by-industry/indl-goods-/-svs/metals--mining/Karnataka-firm-denied-mining-lease/articleshow/5823724.cms</a>
Chinese web links	
Japanese web links	
Additional information	
Date of allegation or incident	Apr-10
Description of allegation or incident	The environment ministry has cancelled the mining lease of a Karnataka-based company, Janthakal Enterprises, nearly four years after it sought the ministry's permission to mine iron and manganese ore in Chitradurga district in the state. An environmental impact assessment and public hearings were subsequently carried out but things became murky when a forgery case related to forestry by the firm was brought to the ministry's notice at the same time. It was found that the company had produced forged letters (dated August 27, 2007 and February 14, 2008) which claimed to grant them permission to lift the old waste dump from the Janthakal Mine. In October 2008, the ministry sought clarifications from the company on the status of forest clearance and clarification on issues raised during public hearings but company didn't respond, compelling the government to revoke the license. The ministry, despite having all the incriminating documents for more than a year, waited until April 2010 to cancel the lease.
Company response	

# Contacts



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