

# ESG Viewpoint: Artisan Partners

## RepRisk interviews Maria Negrete-Gruson, CFA, Managing Director and Portfolio Manager at Artisan Partners



**1. RepRisk: Please provide some insight into your specific role at Artisan Partners and explain the work that you do.**

**Maria Negrete-Gruson:** I am a managing director of Artisan Partners and a portfolio manager on the Sustainable Emerging Markets (EM) team. The core of our team has been investing together in emerging markets since 1999, consistently applying an investment philosophy and process focused on identifying companies with sustainable competitive advantages and unique access to growth. The investment team has a long history of using environmental, social, and governance (ESG) analysis to fully understand the sustainability of a company's earnings. We utilize a dynamic sustainability assessment that combines quantifiable factors based on historic incident-based data from RepRisk and a forward-looking, experiential qualitative assessment based on the deep experience of the investment team.

**2. RR: Artisan Partners has been a client of RepRisk since 2019. How do you use the RepRisk ESG Risk Platform in your day-to-day work?**

**MNG:** We incorporate RepRisk's incident-based data into our ESG quantitative analysis. We look at company-level data to capture the number and severity of incidents relative to the EM universe, as well as the trend in occurrences within a multi-year horizon. The team uses incident data to produce ESG scores. Companies with improving behavior will have higher scores than companies demonstrating consistently poor behavior. We combine the quantitative scores with qualitative analysis to generate a dynamic and rigorous analysis.

For each ESG factor, quantitative and qualitative scores are integrated to provide individual factor scores, which are then integrated into an overall ESG score. The final score directly impacts the target price calculation for each company.

We believe the inclusion of RepRisk incident-based data helps us generate an ESG analysis that is more insightful and actionable than a formulaic third-party report that relies on company-provided information or company policies.

RepRisk data is also useful in our frequent engagement with company management teams. Seeing trends in incident data allows us to have more meaningful ESG-related discussions.

### 3. RR: What are your guiding principles around ESG?

**MNG:** Sustainability means having the ability to endure. It includes, but goes beyond, purely ESG considerations. We want to see strategic choices made by companies that align with shareholders, employees, customers, and the communities around them. As a team of people born, educated, and who have spent a large amount of time in these countries, we want to direct capital to companies that share the same long-term perspective of having a positive impact on EM populations.

### 4. RR: In your view, what are the unique challenges of evaluating ESG risks for companies in emerging and frontier markets?

**MNG:** We don't believe one can apply a developed world perspective to ESG approaches in EM. We acknowledge where EM are coming from, and reward positive change.

ESG is a journey for businesses in EM—one reason why we reject exclusion lists, negative screens, or hard and fast cutoffs. We believe the investment analysis should look at the facts, assess where they started and how their ESG-related behavior changed over time. From this perspective, we see a potential reward for us as investors.

We see many EM companies progressing from the difficult realities of the past, and it has a positive impact for both the company and the community. We look to identify that positive change and reward it, and to penalize negative change.

Additionally, governance has long overshadowed the environmental and social components. The unequal attention could be due to a lack of solid information, but that isn't quite the case anymore. Now, it's a mistake to ignore the environmental and social components simply because some sources may provide incomplete or stale data, or there may be difficulties in quantifying every aspect.

For these very reasons, we developed our own way to quantify environmental and social behaviors with the help of incident-based data from RepRisk.

### 5. RR: What developments do you see on the horizon with respect to ESG?

**MNG:** We believe there will be growing investor demand for ESG to be a truly integrated and robust part of an investment process. They will want more transparency into how ESG is factored into investment decisions. Satisfying both of those demands will require reliable and high-frequency information from independent sources and a well thought-out perspective on sustainability. Some investors may want to avoid entire industries in the name of ESG. But we believe as sustainable investing evolves, there will be more room for nuance and differentiation—truly understanding how companies are making decisions and improving their practices, especially within EM.

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## Conclusion

Artisan Partners Sustainable Emerging Markets team invests in emerging markets and applies an investment process focused on identifying companies with sustainable competitive advantages and unique access to growth. To identify those companies, they rely in part on RepRisk data, as they believe it helps generate an ESG analysis that is more insightful and actionable than a formulaic third-party report that relies on company-provided information or company policies.

## Bio – Maria Negrete-Gruson

Maria Negrete-Gruson, CFA, is a managing director of Artisan Partners and a portfolio manager on the Sustainable Emerging Markets team. In this role, she is the portfolio manager for the Sustainable Emerging Markets Strategy. Prior to joining Artisan Partners in April 2006, Ms. Negrete-Gruson was the portfolio manager for DuPont Capital Management's emerging markets equity portfolios. Before assuming responsibilities as portfolio manager, she was an international equity analyst at DuPont covering the developed Asia-ex Japan region. Earlier in her career, she was a foreign exchange trader for Banco Ganadero in Bogotá, Colombia. Ms. Negrete-Gruson holds a bachelor's degree in finance and international relations from Universidad Externado in Colombia and a master's degree in business administration from Columbia Business School. She is fluent in Spanish and Portuguese.