



# Introducing Coronavirus ESG Monitor

COVID-19 dataset and dashboard

RESEARCH

[research@truvaluelabs.com](mailto:research@truvaluelabs.com)

This report introduces the weekly Coronavirus ESG Monitor. In addition, it highlights high-level trends and metadata on the discussion of the novel coronavirus as well as related discussions involving the impact of the global pandemic on environmental, social, and governance issues for companies covered by Truvalue Labs, a FactSet Company.

**Contents**

Coronavirus ESG Monitor.....3

    Dynamic Materiality Sheds Light on Material Factors for Companies Through This Time of Uncertainty ..... 3

    Beyond the SASB Lens, We’ve Created Five COVID-19 Sub-Signals to Help Unveil Important Trends ..... 3

    How to Use and Interpret the Data to Identify Insights, Trends, and Inflection Points ..... 3

    The Pandemic Is an Extraordinary Case of Dynamic Materiality in Terms of Magnitude and Speed..... 4

Introducing **COVID-19 Signals and Dashboard** .....5

    SASB, Sector, and Industry Trends ..... 5

    Information Flow on the Five COVID-19 Sub-signals Reveal a Hierarchy of Discussion Topics, with Social Impact at the Fore ..... 6

    On a sector basis, Consumer Goods and Health Care capture the most information as of March 25, 2020, although this is a shift from the prior week when Services and Transportation were more in focus ..... 7

        On an industry basis, Health Care Delivery, Hotels & Lodging, Drug Retailers, and eCommerce were in focus; upstream operations received less attention ..... 7

        Of the industries in focus, Health Care Delivery, Road Transportation, and eCommerce began to receive outsized attention roughly two weeks before information on the Drug Retailers and Hotels & Lodging industry ramped..... 8

    Supply Chain, Employee Health and Safety, and Labor Practices ..... 8

        With respect to discussion around SASB’s Supply Chain Management category, COVID-19-related discussion has boomed in the U.S., but remains less in focus in South Korea, Japan, and China (i.e., relative to non-COVID-19 information flow)..... 8

        In both the U.S. and Europe, discussion on companies’ Labor Practices emerged about a week after Employee Health and Safety concerns were in focus ..... 9

    COVID-19 Volume vs. Confirmed Cases ..... 9

        By February 12, 2020, discussion of COVID-19 involving Chinese-domiciled companies peaked, just a week before new cases in China reached an inflection point ..... 9

        In contrast, the volume on U.S.-domiciled companies has reached 80% of total volume, indicating that the peak coverage might be near ..... 10

        Likewise, as of March 25, 2020, the volume of COVID-19 and its new confirmed cases are rising in Europe..... 10

About FactSet .....12

## Coronavirus ESG Monitor

**COVID-19 dataset and dashboard** released on April 8, 2020

### Dynamic Materiality Sheds Light on Material Factors for Companies Through This Time of Uncertainty

Since introducing the concept of Dynamic Materiality in January, the world has been rocked by a global pandemic. The novel coronavirus, or COVID-19, has drastically shocked the economy and most importantly, has resulted in a human toll that may shift the perception around institutions and systems that underpin the modern world. Put simply, Dynamic Materiality emphasizes that environmental, social, and governance (ESG) issues, which impact company financial performance, evolve over time and are unique to sectors, industries, and firms. At the moment, scrutiny as to how companies respond to the current crisis has, rightly so, crowded out other issues. We document this specifically and observe that COVID-19-related content now represents ~73% of all ESG information we capture daily (as of March 25, 2020). Furthermore, the massive growth in volume denotes the emergence of five material issues specific to COVID-19: 1) Employee Health and Safety; 2) Labor Practices; 3) Access and Affordability; 4) Product Quality and Safety; and 5) Supply Chain Management.

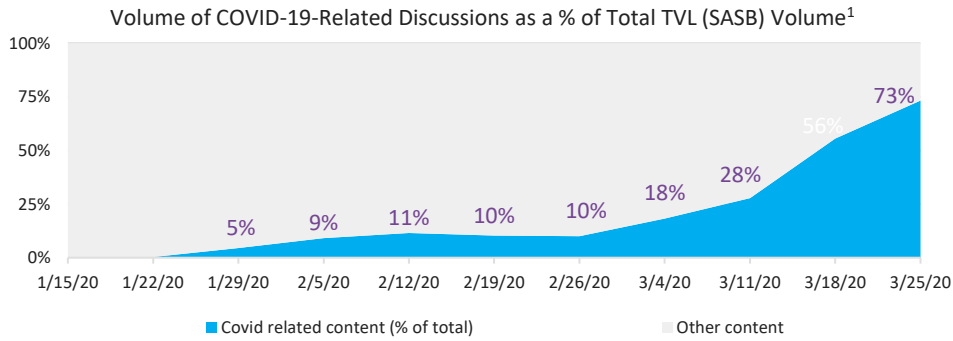
### Beyond the SASB Lens, We've Created Five COVID-19 Sub-Signals to Help Unveil Important Trends

As companies navigate the global pandemic, an ESG lens provides investors with the ability to assess and affirm the commitment of firms to positive social outcomes, as well as gain insight into the quality of governance by management teams. Nonetheless, we've now also applied our technology to content beyond the bounds of ESG topics to help our clients and stakeholders understand various trends. We've created a COVID-19 signal and five sub-signals that cover the following topics: 1) social impact; 2) labor; 3) supply chain; 4) response; and 5) economy. The first three signals do overlap with SASB's categories but are tuned specifically to capture COVID-19 implications and/or situations. The response signal captures companies shifting focus—for example, changing production to relevant products such as ventilators or vaccines. The economy signal detects information relevant to the broader, global economic situation and outlook.

### How to Use and Interpret the Data to Identify Insights, Trends, and Inflection Points

The dataset we offer will provide a unique view of stakeholder perception on company behavior, which at the firm-level, helps assess commitment to social outcomes and quality of management. At a macro-level, the relative volume of information relating to COVID-19 issues vs. other ESG topics helps contextualize the magnitude in which the focus of stakeholders has changed. For example, the ratio of COVID-19 to non-COVID-19 content on Chinese-domiciled companies peaked one week before new cases peaked in China. The market focus has shifted tremendously. Understanding how and when it reverts to normalcy and the underlying issues that linger may help provide perspective to investors, business consultants, management teams, and others as the crisis evolves.

## The Pandemic Is an Extraordinary Case of Dynamic Materiality in Terms of Magnitude and Speed



Source: Truvalue Labs, a FactSet Company

Dynamic Materiality: Measuring What Matters (January 17, 2020).

<sup>1</sup> ESG information we capture is within the bounds of the framework created by the Sustainability Accounting Standards Board (SASB)

## Introducing COVID-19 Signals and Dashboard

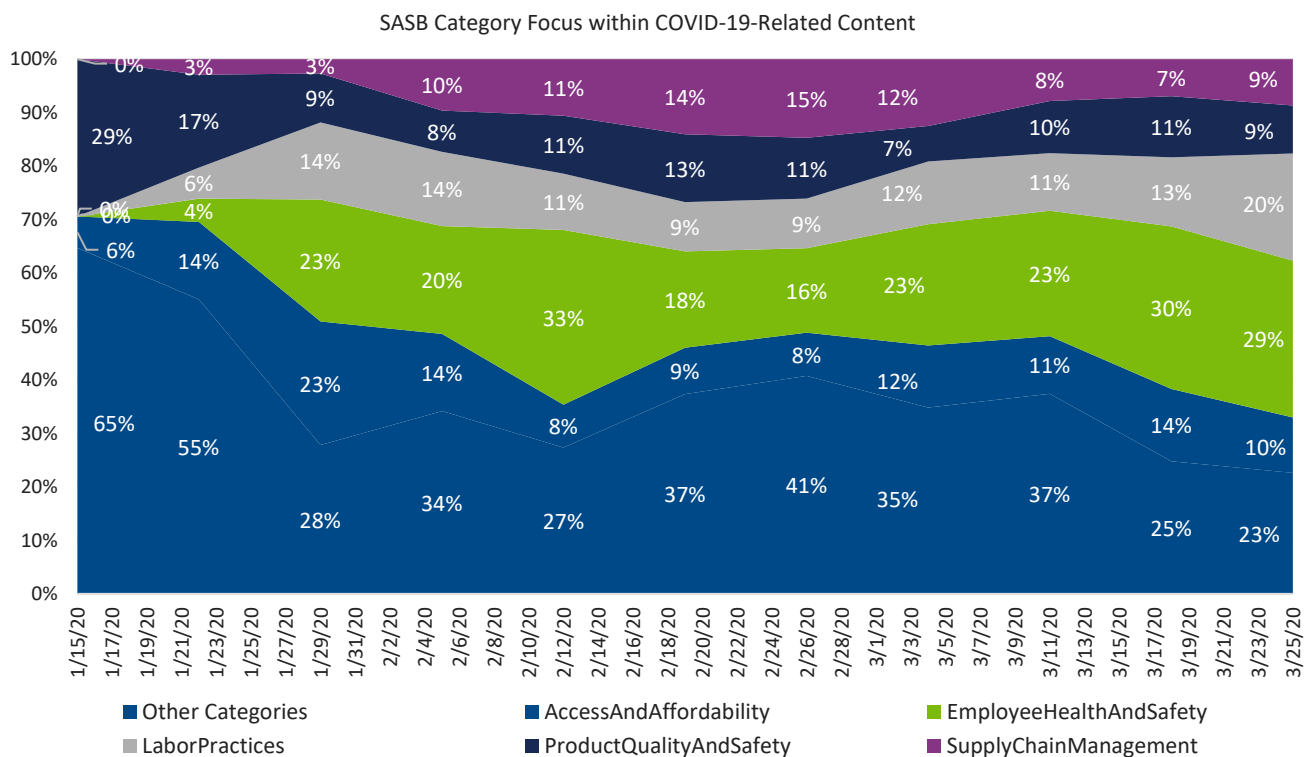
On April 8, 2020, we released a COVID-19 dataset as well as a dedicated dashboard, Coronavirus ESG Monitor, containing many of the trends highlighted below. The dataset will provide key metrics that detail the rising prevalence of COVID-19 across sectors, industries, and regions as well as the impact of COVID-19 through the lens of different ESG categories, as defined by the Sustainable Accounting Standards Board (SASB).

In addition, this data also shows the rising importance of COVID-19 at a company level, including information that distills the sentiment of stakeholders on company actions and responses to the crisis. All sentiment scores in the files will be scored on a scale of -20 (most negative) to 20 (most positive) with 0 being the neutral point. The data will also include detail on the aforementioned COVID-19 sub-signals, which include social impact, labor, economy, response, and supply chain. The COVID-19 time series begins on January 1, 2020, and more information will be available at the time of release in the form of a data dictionary.

The dashboard includes a free dataset consisting of COVID-19 signals as well as information documenting the rising impact of COVID-19 on SASB's 26 sustainability categories.

## SASB, Sector, and Industry Trends

We observe Employee Health and Safety, Labor Practices, Access and Affordability, Product Quality and Safety, and Supply Chain Management as emerging material for all companies during the COVID-19 crisis



Source: Truvalue Labs, a FactSet company

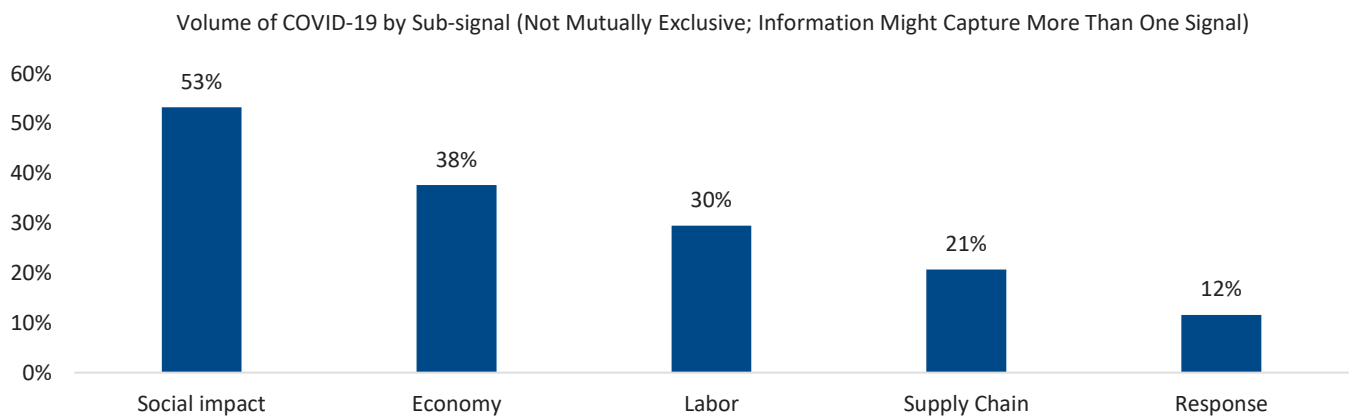
While this will continue to evolve over time, the identification of these five SASB categories underscores where investors should assess company performance through the global pandemic.

Note that Employee Health and Safety and Labor Practices represent a disproportionate share of volume (49%).

Leaders on these issues will likely be associated with quality management focused on long-term value creation for all stakeholders.

### Information Flow on the Five COVID-19 Sub-signals Reveal a Hierarchy of Discussion Topics with Social Impact at the Fore

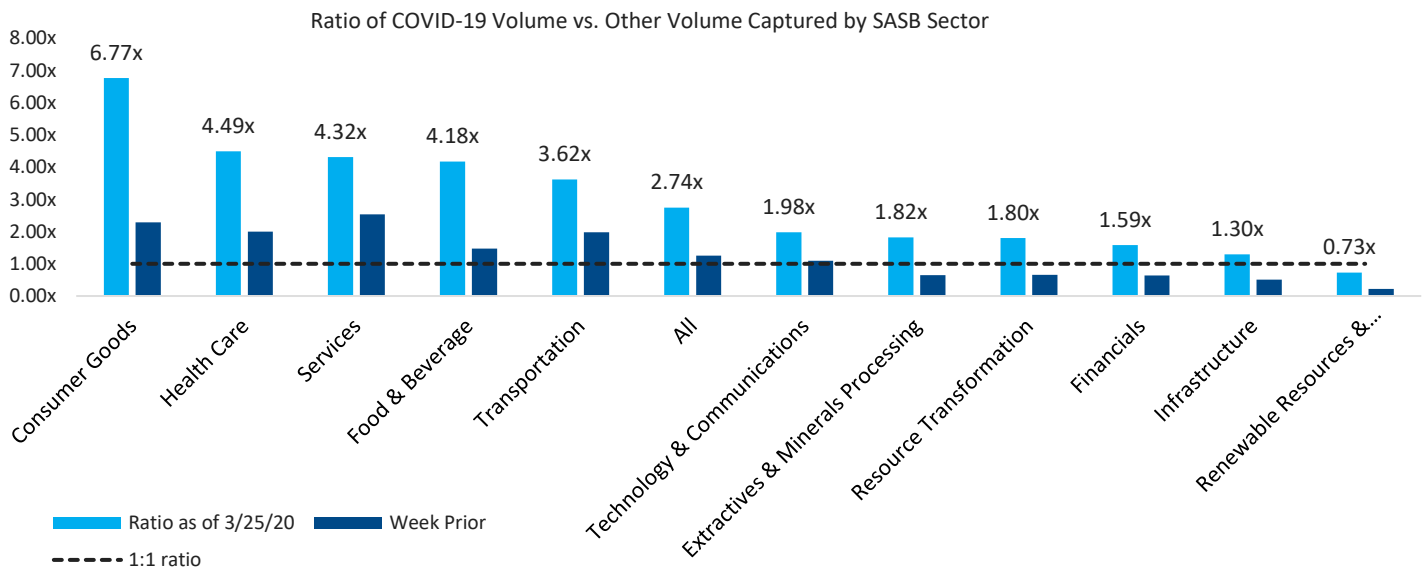
A shift in relative volume can provide insight as to where the market shifts its focus. For example, a decline in discussion around Economy might help signify a relative trough in economic dislocations.



Source: Truvalue Labs, a FactSet Company

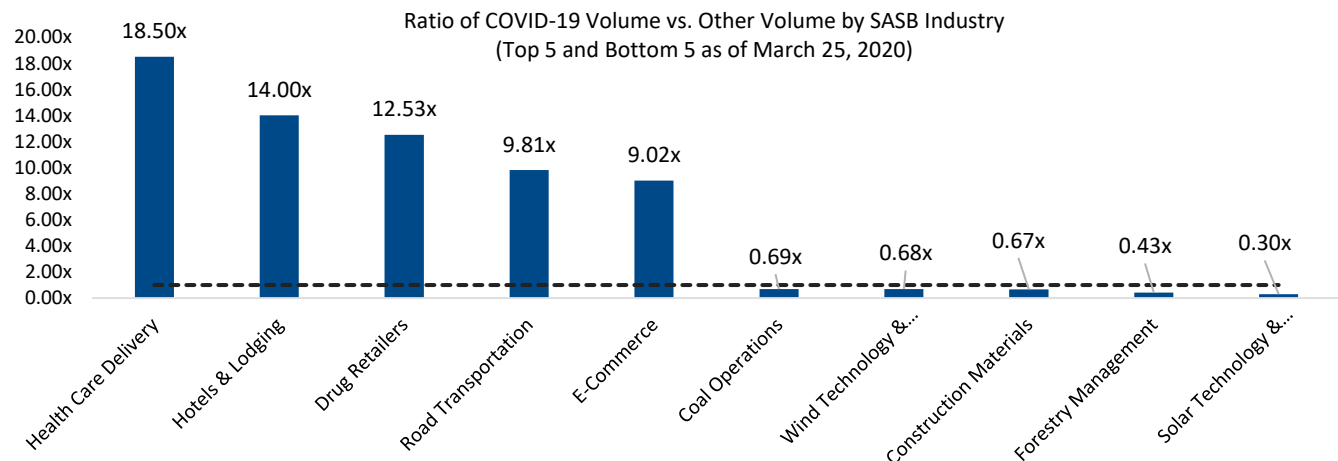
On a sector basis, Consumer Goods and Health Care capture the most information as of March 25, 2020, although this is a shift from the prior week when Services and Transportation were more in focus.

As seen by the change from the prior week's relative volume mix, certain sectors are receiving increasing attention as company actions and responses through the crisis have important implications for all.



Source: Truvalue Labs, a FactSet Company

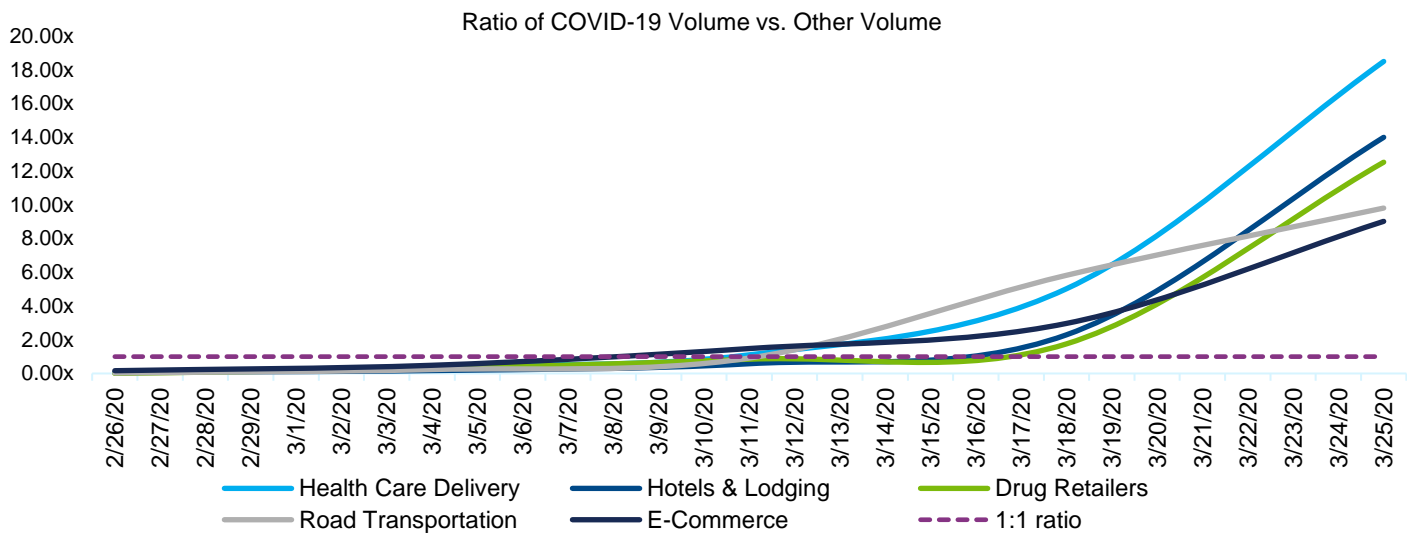
On an industry basis,<sup>2</sup> Health Care Delivery, Hotels & Lodging, Drug Retailers, and eCommerce were in focus; upstream operations received less attention.



Source: Truvalue Labs, a FactSet Company

<sup>2</sup> Refers to the SICs industry classification system

**Of the industries in focus, Health Care Delivery, Road Transportation, and eCommerce began to receive outsized attention roughly two weeks before information on the Drug Retailers and Hotels & Lodging industry ramped.**



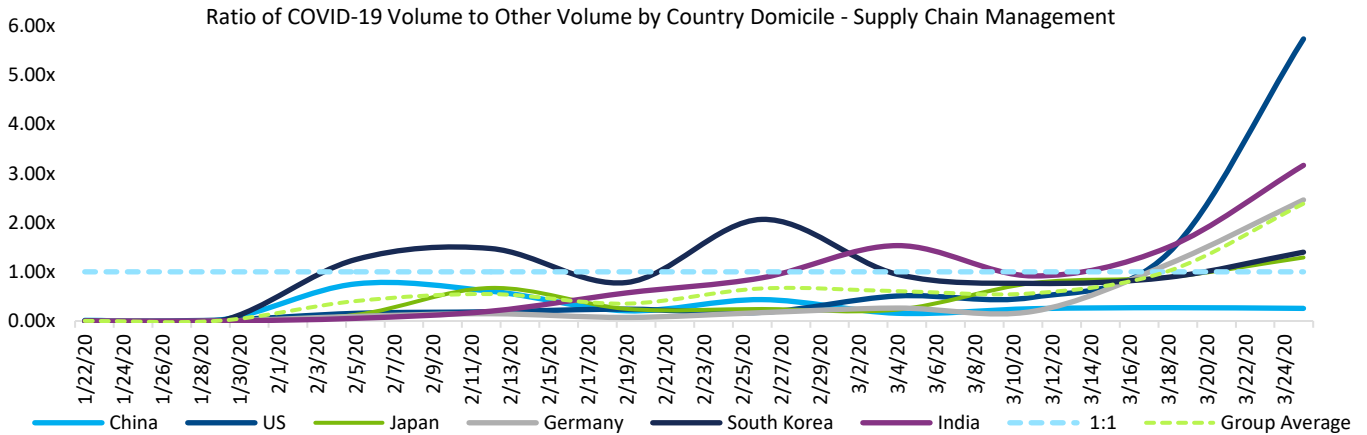
Source: Truvalue Labs, a FactSet Company

### Supply Chain, Employee Health and Safety, and Labor Practices

**With respect to discussion around SASB’s Supply Chain Management category, COVID-19-related discussion has boomed in the U.S. but remains less in focus in South Korea, Japan, and China (i.e., relative to non-COVID-19 information flow).**

Supply chain dislocations will likely continue. Monitoring the level of discussion and focus here helps give insight into global trade activity and the extent to which it might be disrupted.

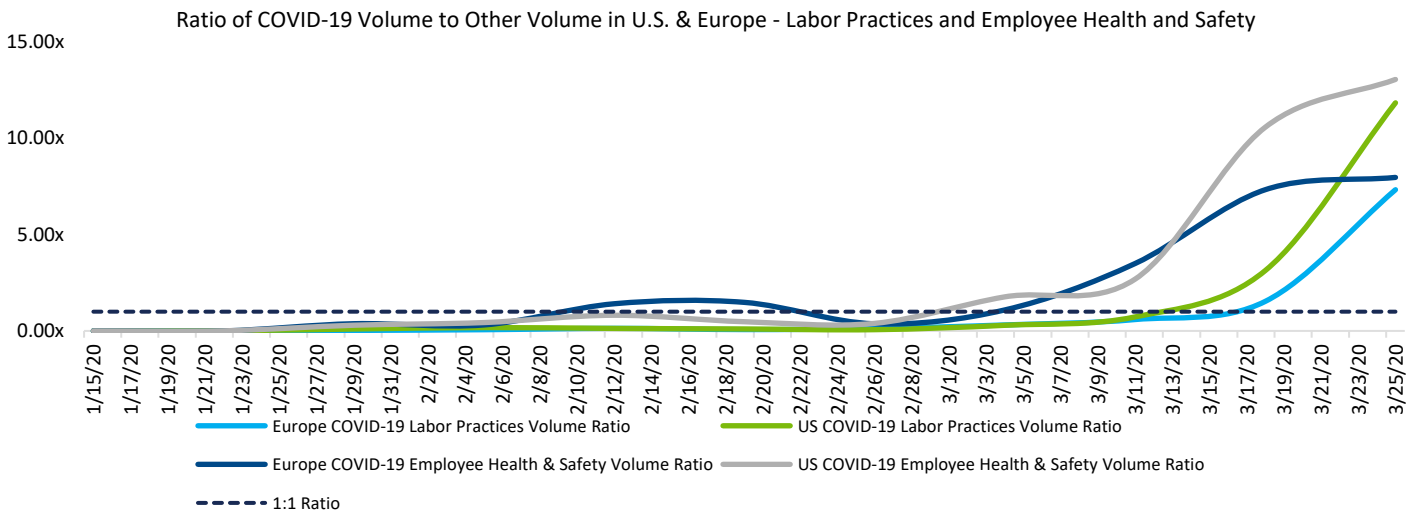




Source: Truvalue Labs, a FactSet Company

**In both the U.S. and Europe, discussion on companies' Labor Practices emerged about a week after Employee Health and Safety concerns were in focus.**

Trends in both Employee Health and Safety and Labor Practices, in the context of COVID-19, may help provide insight on unemployment levels in various regions.

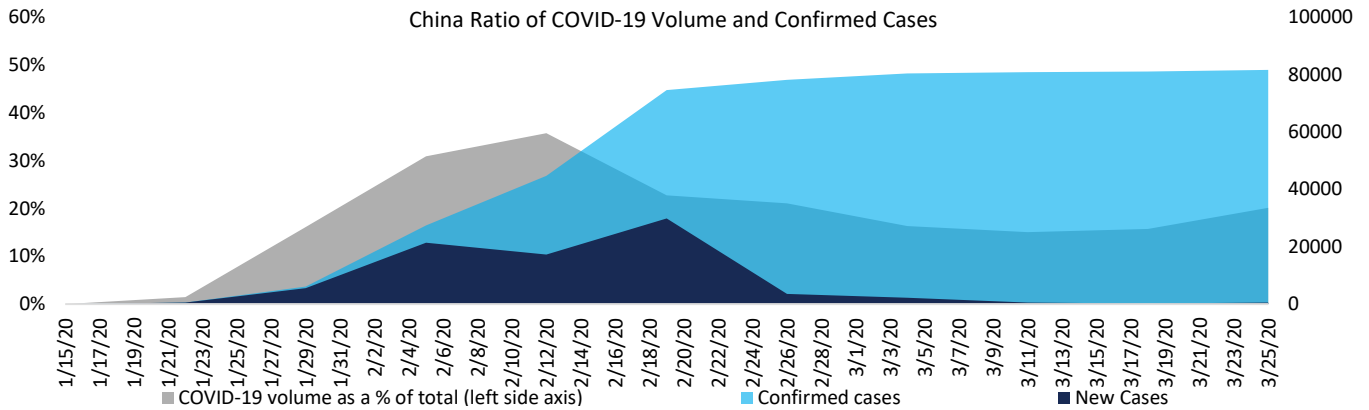


Source: Truvalue Labs, a FactSet Company

**COVID-19 Volume vs. Confirmed Cases**

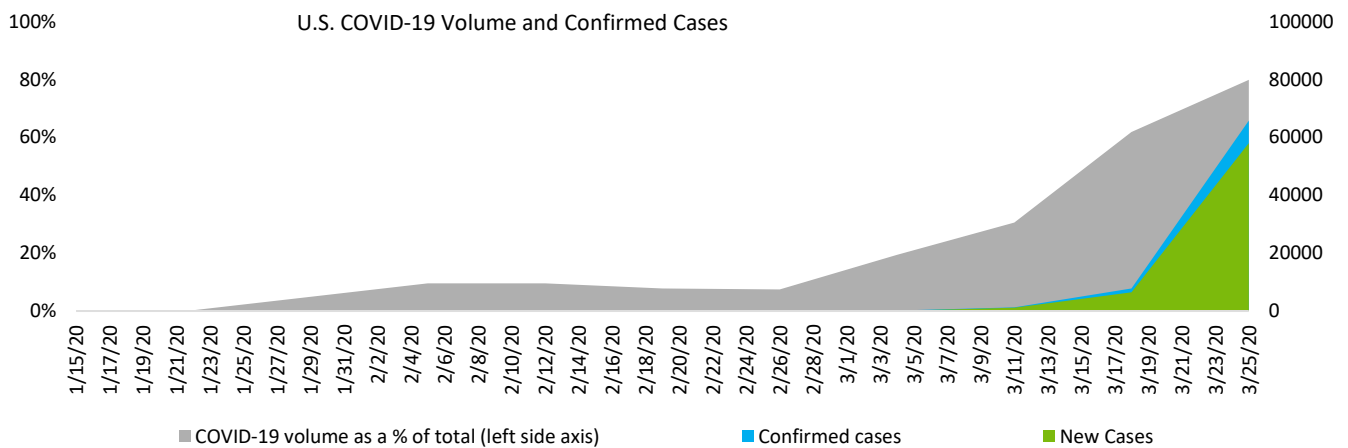
**By February 12, 2020, discussion of COVID-19 involving Chinese-domiciled companies peaked, just a week before new cases in China reached an inflection point.**

While there is no way to predict the trajectory of new cases, ramping discussion around COVID-19 on a regional basis (using company-domicile) might serve as a proxy for measures taken. These measures may be from policy or even the action of individuals, which can result in decreasing new cases.



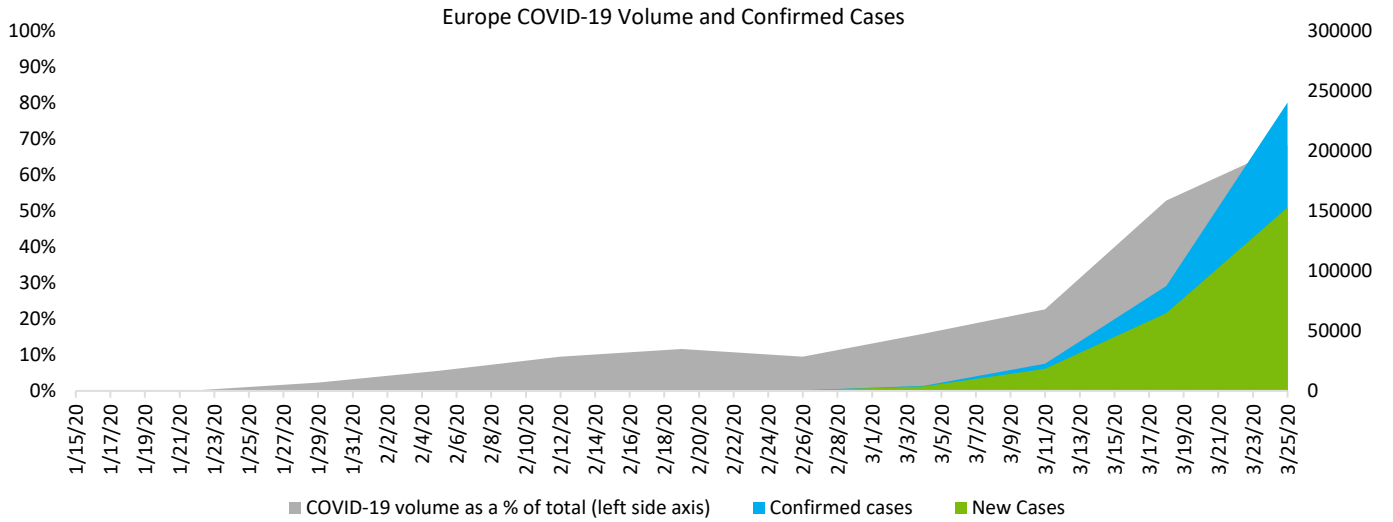
Source: Truvalue Labs, a FactSet Company; John Hopkins University

**In contrast, the volume on U.S.-domiciled companies has reached 80% of total volume, indicating that the peak coverage might be near.**



Source: Truvalue Labs, a FactSet Company; John Hopkins University

**Likewise, as of March 25, 2020, the volume of COVID-19 and its new confirmed cases are rising in Europe.**



Source: Truvalue Labs, a FactSet Company; John Hopkins University

## About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) delivers superior content, analytics, and flexible technology to help more than 138,000 users see and seize opportunity sooner. We give investment professionals the edge to outperform with informed insights, workflow solutions across the portfolio lifecycle, and industry-leading support from dedicated specialists. We're proud to have been recognized with multiple awards for our analytical and data-driven solutions and repeatedly scored 100 by the Human Rights Campaign® Corporate Equality Index for our LGBTQ+ inclusive policies and practices. Subscribe to our thought leadership blog to get fresh insight delivered daily at [insight.factset.com](https://insight.factset.com). Learn more at [www.factset.com](https://www.factset.com) and follow us on Twitter: [www.twitter.com/factset](https://www.twitter.com/factset).

Truvalue Labs, a FactSet Company, applies AI to quantify Environmental, Social, and Governance (ESG) data found in unstructured text sources including news, trade journals, NGO, and industry reports to deliver transparent, timely, consistent ESG data to investment professionals. FactSet creates data and technology solutions for investment professionals around the world, providing instant access to financial data and analytics that investors use to make crucial decisions.

## Important Notice

The information contained in this report is provided "as is" and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report. No part of this document (in whole or in part) may be reproduced, displayed, modified, distributed or copied (in whole or in part), in any form or format or by any means, without express written permission from FactSet.