

INTRODUCING

Coronavirus ESG Monitor

Truvalue Labs releases a [COVID-19 data set and dashboard](#) free to the public.

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 January¹, 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 ESG² information we capture a daily basis (as of 3/25/20). Furthermore, the massive growth in volume denotes the emergence of five material issues specific to COVID-19: 1) Employee Health & 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

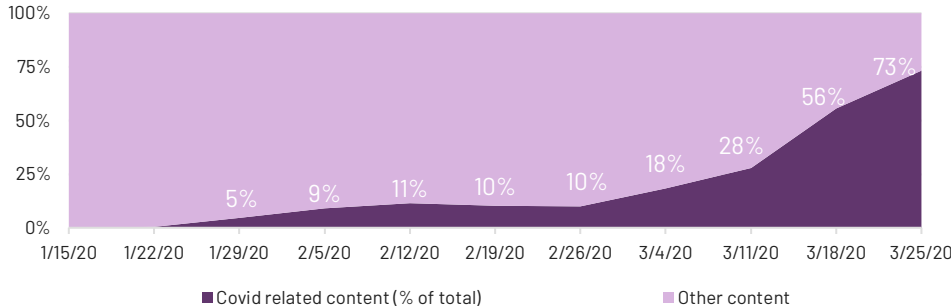
As companies navigate the global pandemic, an ESG lens provides investors with the ability to assess and affirm the commitment of firms to positive social outcomes, as well as gain insight into the quality of governance by management teams. Nonetheless, we've now also applied our technology to content 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 data set 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

Volume of COVID-19-related discussions as a % of total TVL (SASB) volume



Source: Truvalue Labs

¹ [Dynamic Materiality: Measuring What Matters \(January 17, 2020\)](#).

² ESG information we capture is within the bounds of the framework created by the Sustainability Accounting Standards Board (SASB)

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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.

Introducing COVID-19 Signals & Dashboard

On April 9th, we will release a COVID-19 data set free to the public as well as a dedicated dashboard, Coronavirus ESG Monitor, containing many of trends highlighted below. The data set 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).

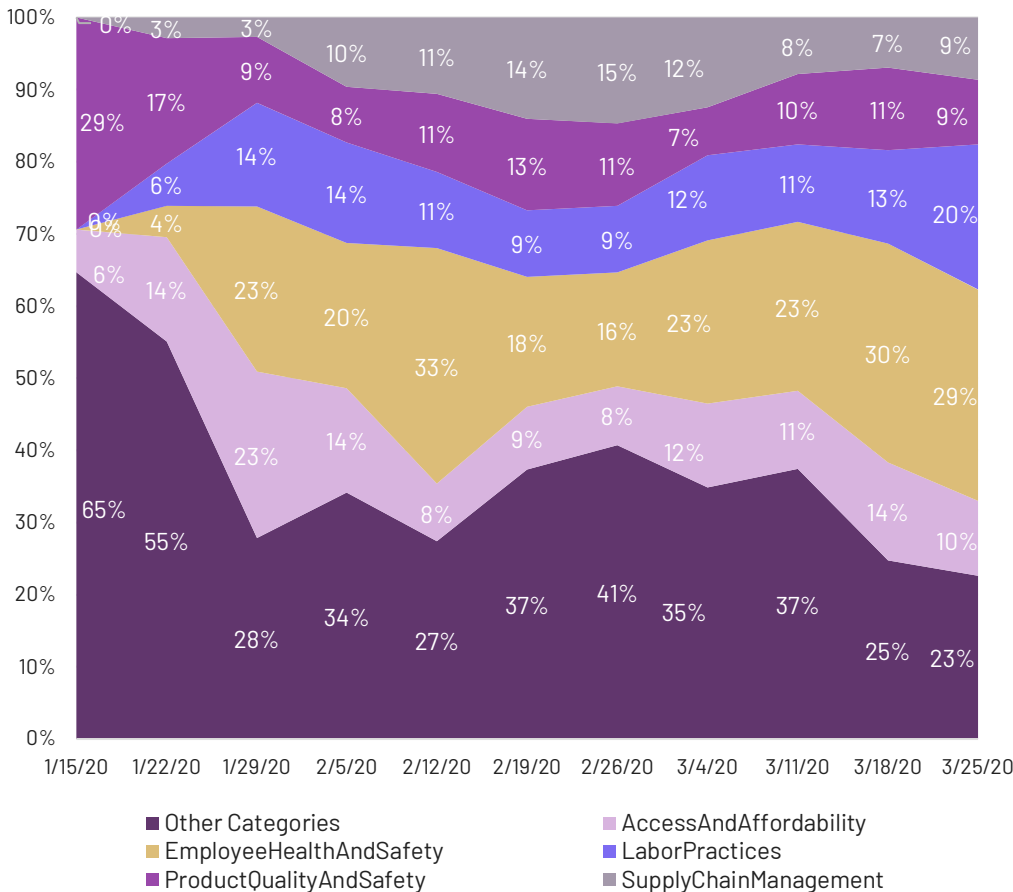
Truvalue Labs will offer a free data set consisting of COVID-19 signals as well as information documenting the rising impact of COVID-19 on SASB's 26 sustainability categories.

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 1/1/20, and more information will be available at the time of release in the form of a Data Dictionary.

SASB, Sector, & Industry Trends

We observe Employee Health & 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

SASB category focus within COVID-19-related content



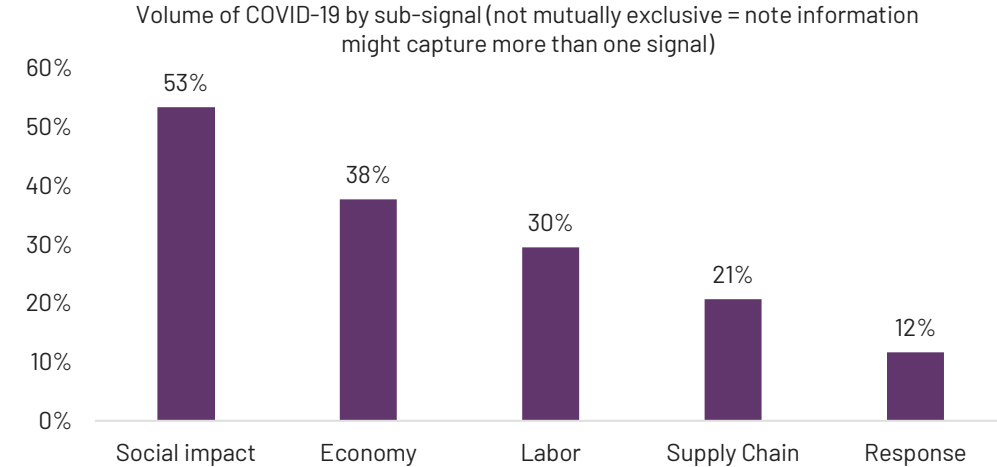
While this will continue to evolve over time, the identification of these five SASB categories underscore where investors should assess company performance through the global pandemic.

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.

Source: Truvalue Labs

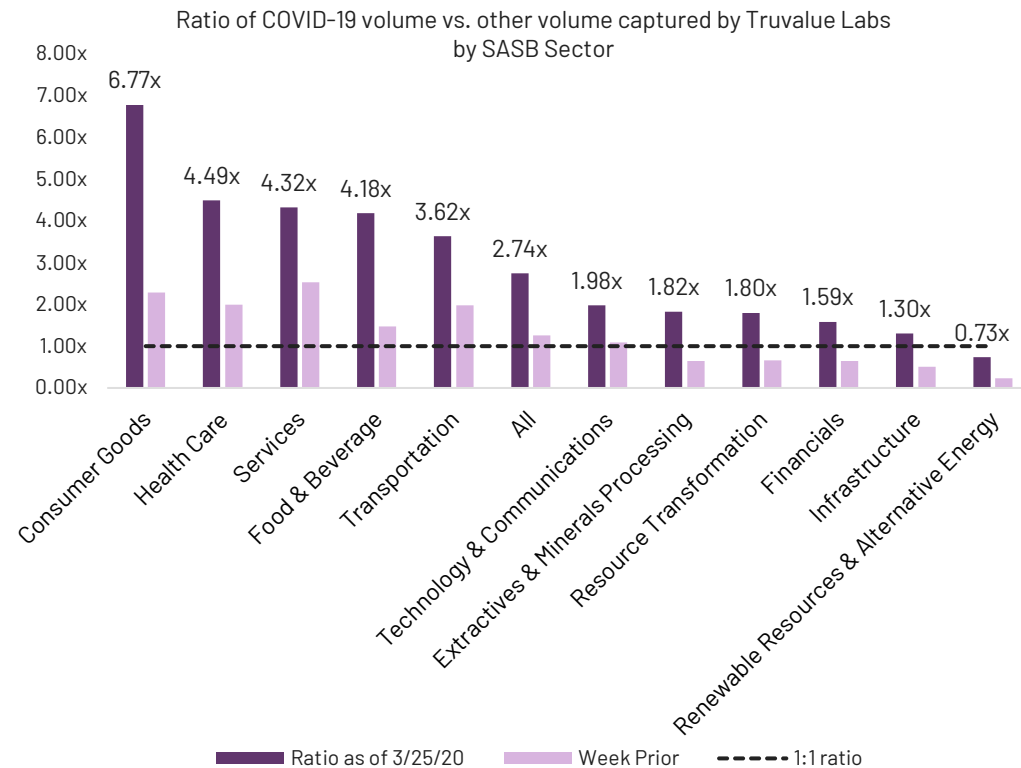
Information flow on the five COVID-19 sub-signals reveal a hierarchy of discussion topics, with social impact at the fore



Source: Truvalue Labs

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.

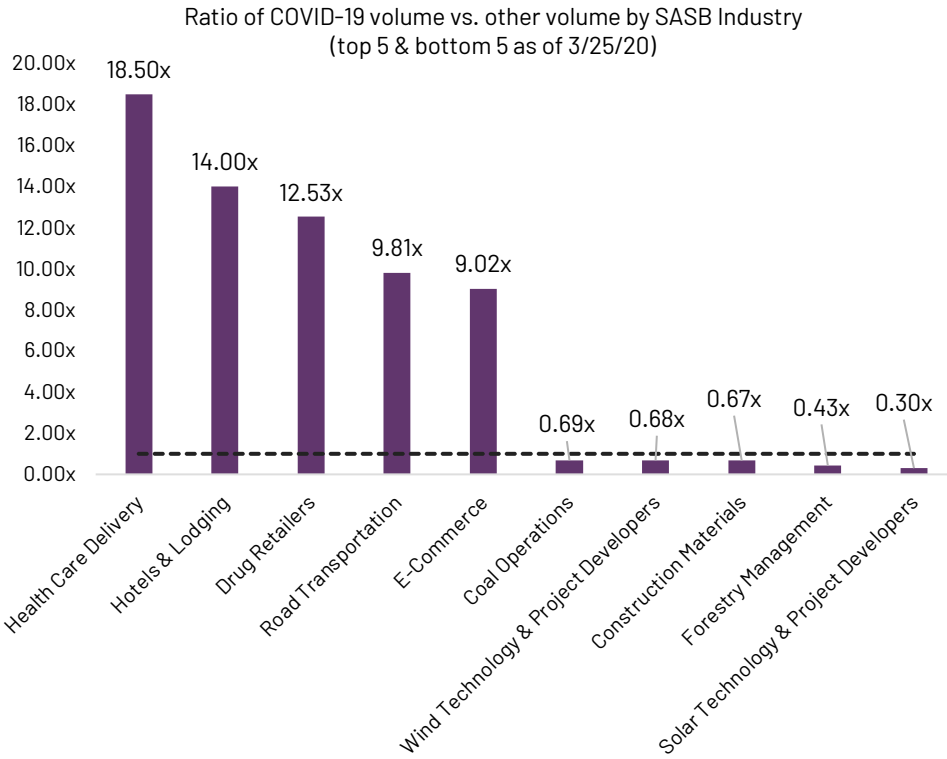
On a sector basis, Consumer Goods and Health Care capture the most information as of 3/25/20, although this is a shift from the prior week when Services and Transportation were more in focus



Source: Truvalue Labs

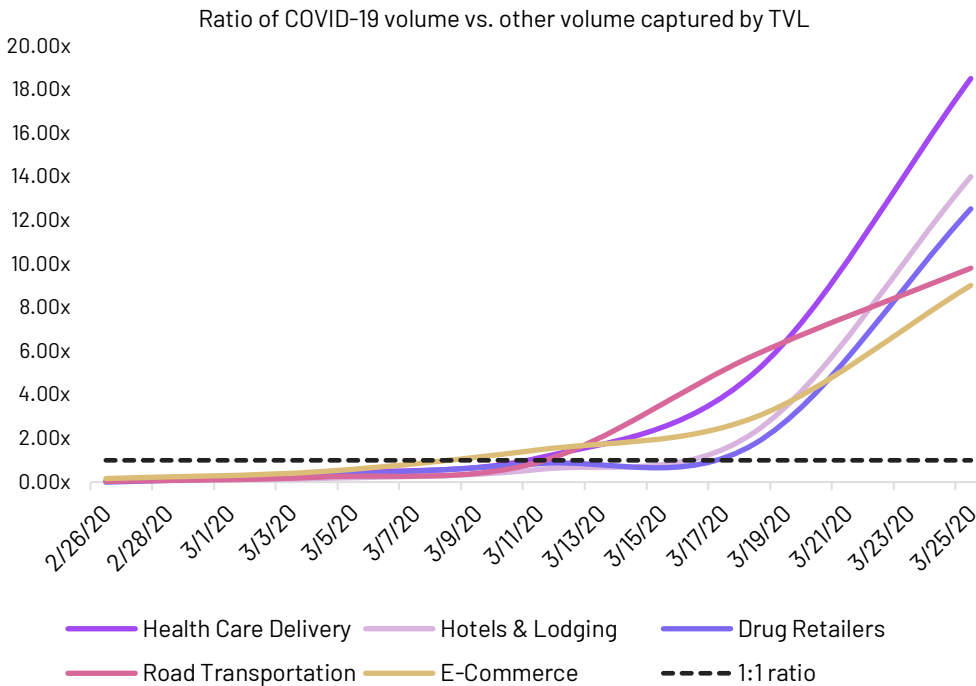
As seen by the change from the prior week's relative volume mix, certain sectors are receiving increasing attention as company actions and responses through the crisis have important implications for all.

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



Source: Truvalue Platform; *Refers to the SICs industry classification system

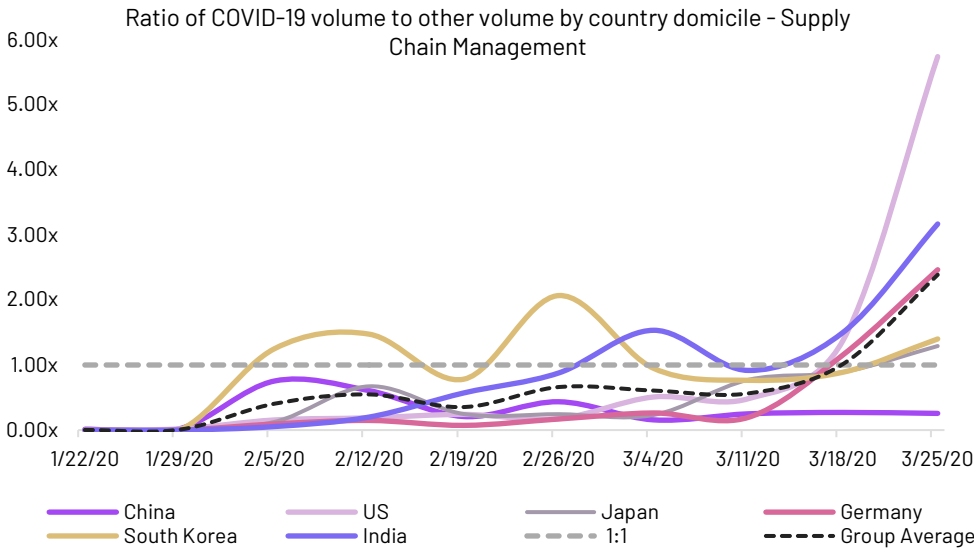
Of the industries in focus, Health Care Delivery, Road Transportation, and eCommerce began to receive outsized attention roughly two weeks before information on the Drug Retailers and Hotels & Lodging industry ramped



Source: Truvalue Platform

Supply Chain, Employee Health & Safety, & Labor Practices

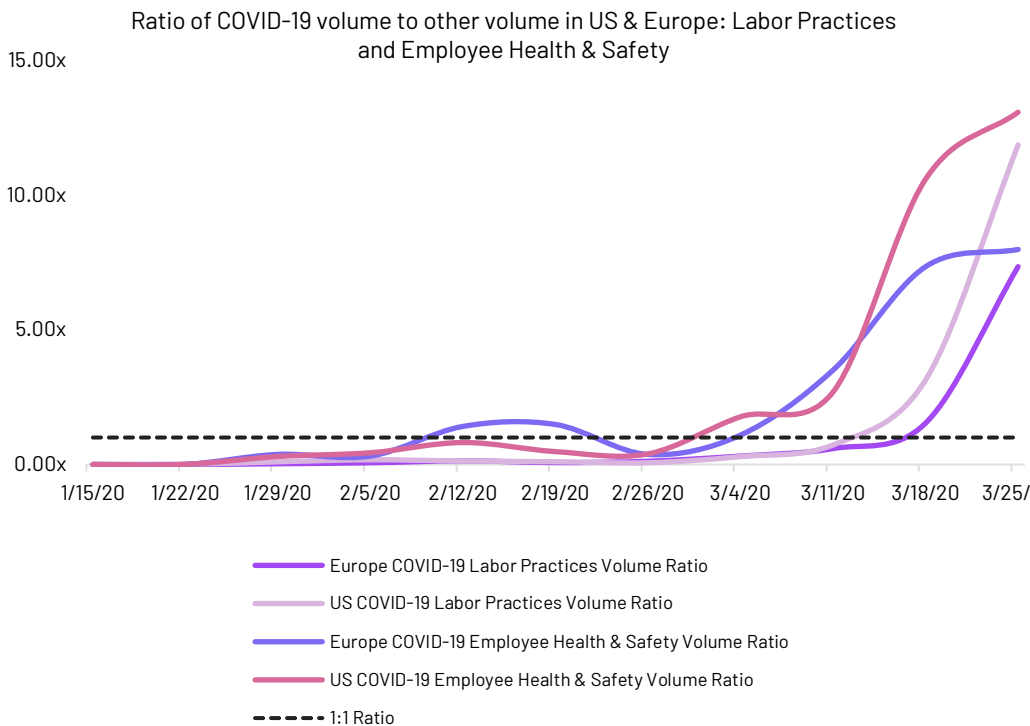
With respect to discussion around SASB's Supply Chain Management category, COVID-19 related discussion has boomed in the US, but remains less in focus in South Korea, Japan, and China (relative to non-COVID-19 information flow)



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

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

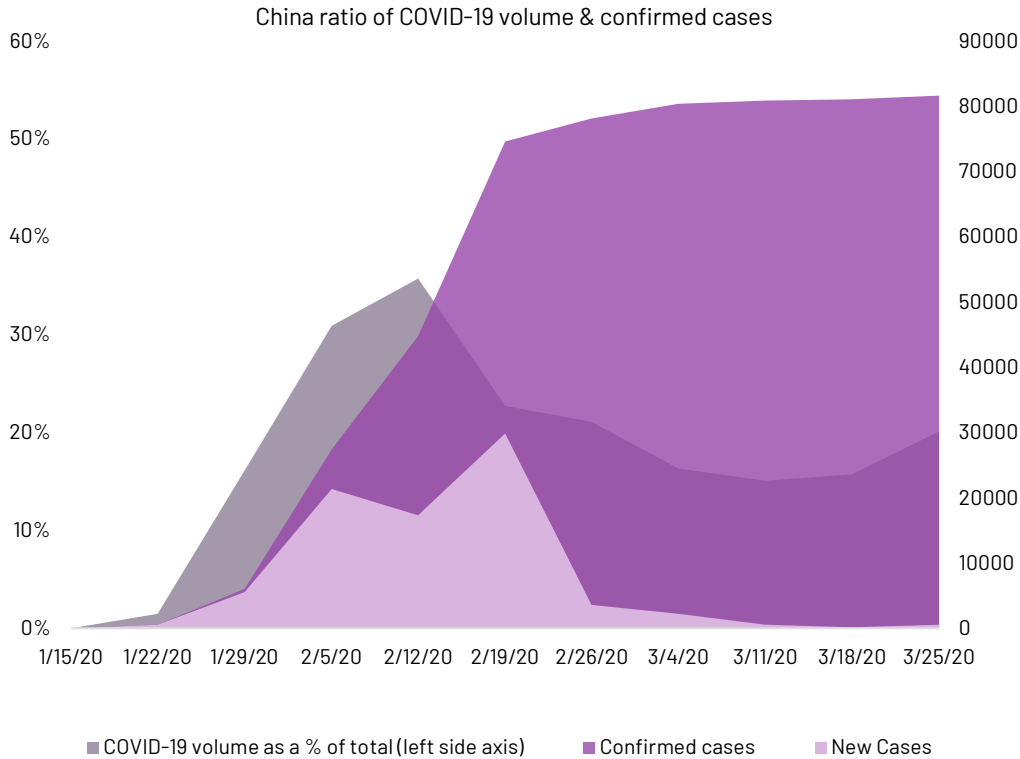


Trends in both Employee Health and Safety and Labor Practices, in the context of COVID-19, may help provide insight on unemployment levels in various regions.

Source: Truvalue Labs

COVID-19 Volume vs. Confirmed Cases

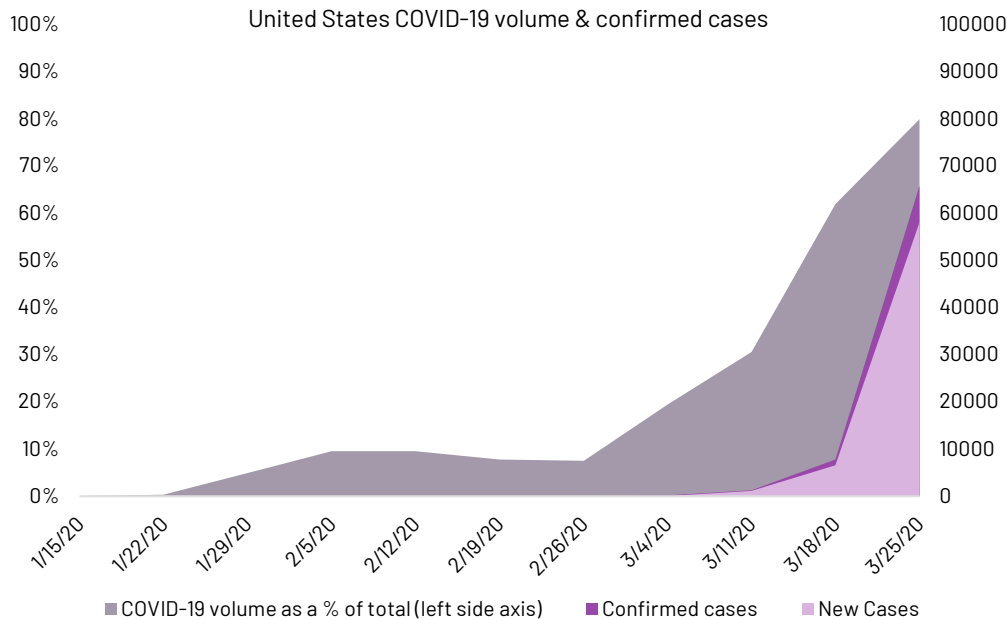
By Feb 12, 2020, discussion of COVID-19 involving Chinese-domiciled co.'s peaked, just a week before new cases in China reached an inflection point



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, be it from policy or even the action of individuals—which can result in decreasing new cases.

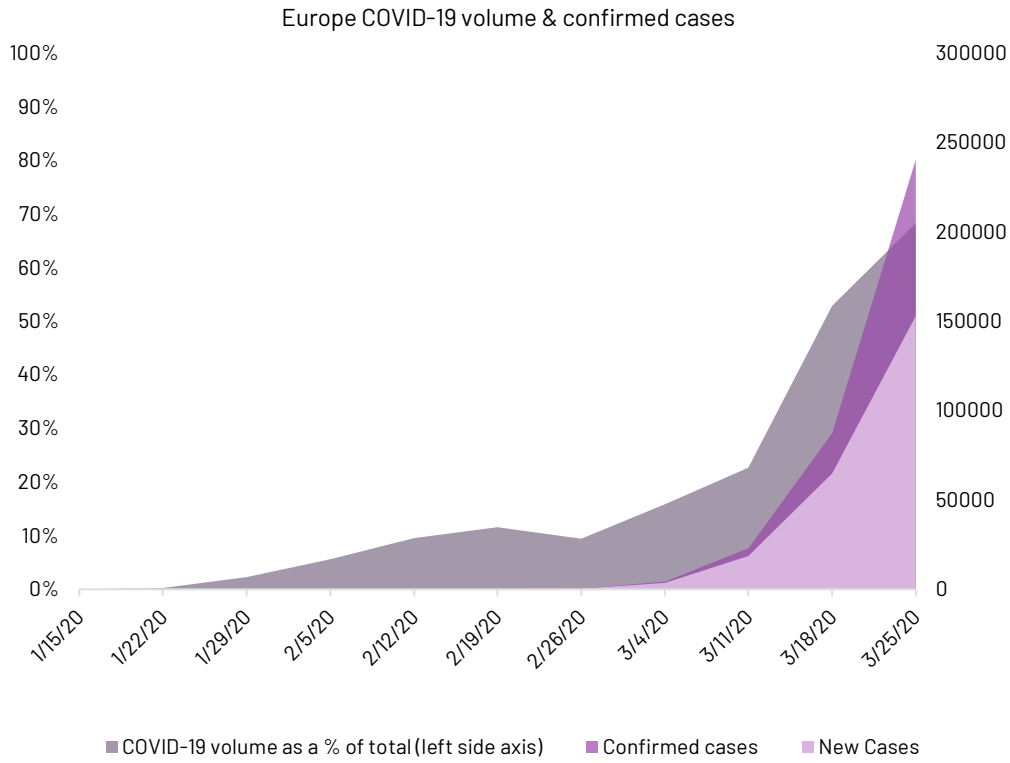
Source: Truvalue Labs, John Hopkins University

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



Source: Truvalue Labs, John Hopkins University

Likewise, in Europe, COVID-19 volume is rising, as is new cases as of 3/25/20



Source: Truvalue Labs, John Hopkins University

About Truvalue Labs

Truvalue Labs is the first company to apply AI to uncover timely ESG data on a variety of asset classes. The company's mission is to deliver increased transparency to investment professionals by providing data and analytics that go beyond traditional fundamentals.

Visit www.truvaluelabs.com to learn more about the SaaS and API products.

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