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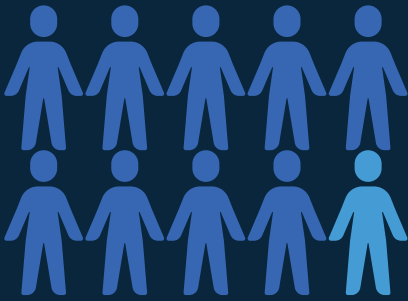
RESEARCH

'S' THE FORGOTTEN FACTOR WITH THE HIDDEN ALPHA

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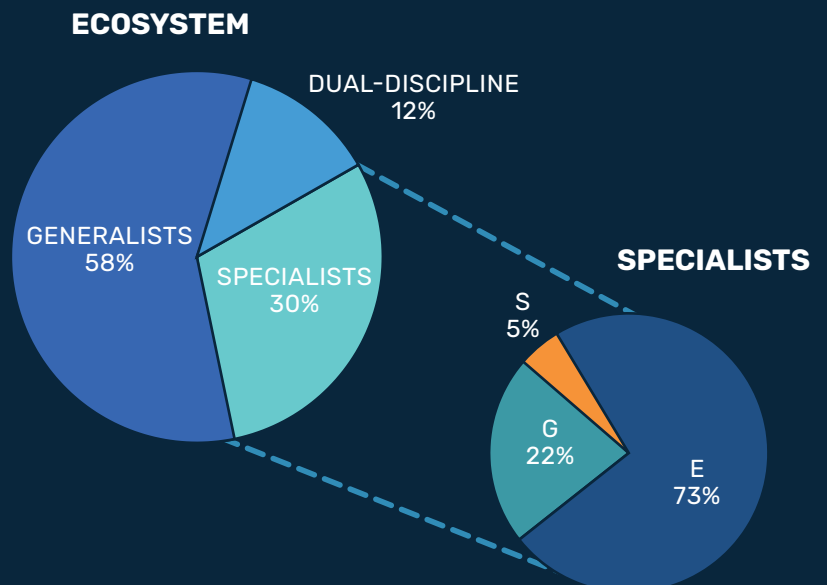


SOURCE: CNBC

9 OUT OF 10 PEOPLE
WANT TO INVEST IN POSITIVE CAUSES

The 'Social' in ESG has taken a back seat to its more prominent siblings 'Environment' and 'Governance'. There are numerous reasons for why this is the case. First, shareholders have always been keen to look into corporate governance policies to check whether companies are more prone to mismanagement and risk, which makes 'G' an important factor for investors. Another reason is the urgency of the energy transition that has led to the dominance of the 'E' factor when screening portfolios. However, this doesn't mean 'S' is less important. Indeed, they make up 11 of the 17 goals of the United Nations' Sustainable Development Goals (SDGs), and as we highlight below, they may even deliver underappreciated outperformance.

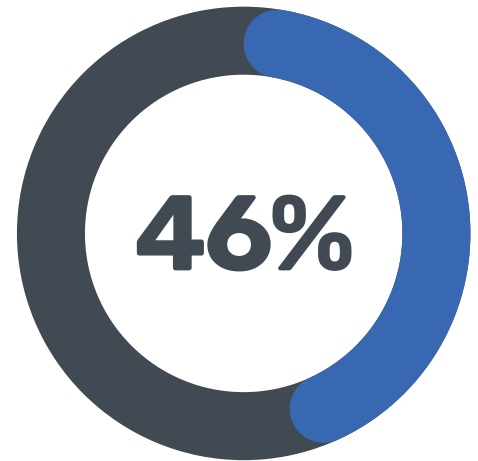
The less tangible nature of social data makes it more difficult to measure and quantify – this is another reason why it is less prominent in this space. This is reflected in the ESG data marketplace where there is only a small number of specialists focusing on social data. When Substantive Research began mapping out the ESG data space in 2021, we found that 58% of all providers were generalists – providing some type of data on all E, S, and G – only 30% of the providers focussed on just one ESG pillar while the remaining 12% focussed on two of the three disciplines. Of the specialists, 'E' dominates as it makes up three-quarters of the specialist group.



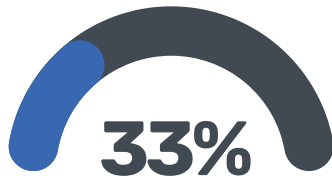
46% OF INVESTORS SURVEYED THOUGHT 'S'
TO BE THE MOST DIFFICULT TO ANALYSE AND
EMBED IN INVESTMENT STRATEGIES

SOURCE: BNP PARIBAS ESG SURVEY, 2019

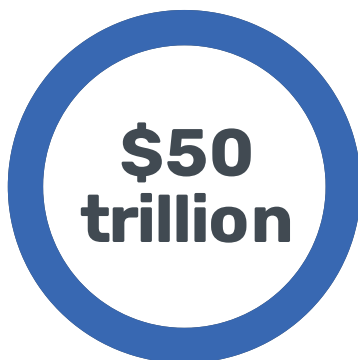
So, while data is in short supply, some studies indicate that access to good quality social data could lead to investment outperformance. Recent studies bear this out. Toronto-based S Factor, a data analytics company focussed on social data, has conducted various quantitative studies to bring some rigour to this hypothesis. Their initial findings suggest that investing in social-orientated stocks can deliver risk-adjusted returns in excess of 207 basis points. Other studies have also focussed on specific 'S' factors. Credit Suisse have found that companies with greater gender diversity in senior management provided outperformance of between 180 and 200 basis points on an annualised basis.



ONE-THIRD OF ALL ASSETS
CONTAIN SUSTAINABLE
INVESTMENTS



GLOBAL ESG ASSETS MAY
REACH \$50 TRILLION BY 2025



SOURCE: BLOOMBERG

The universe of social data is broad and dynamic. Recently, the Covid-19 pandemic has brought to the forefront social issues such as fair employee remuneration and more inclusive D&I policies. Community engagement, employee productivity and product quality are also interesting topics to explore for investors looking to integrate social factors into their ESG strategies. Using our ESG tool, we have screened three S impact data providers that may provide value to investors interested in this space.

**IF YOU'RE INTERESTED IN OUR ESG
DASHBOARD AND FINDING MORE
ESG PROVIDERS, PLEASE CONTACT
OUR TEAM FOR A DEMO.**

RESEARCH DISCOVERY SECTION

We provide a service that thematically curates the best ESG research in the market. Here is a selection of notable research pieces on the social factor of ESG.

- **No Person Left Behind**, Sustainable Market Strategies
- **Passive Investing 2021**: Rise of the social pillar of ESG, Create Research in partnership with DWS
- **Gender 3000 Report**: Women hold almost a quarter of board room positions globally, Credit Suisse report

**PLEASE CONTACT THE TEAM FOR MORE INFORMATION
ON OUR RESEARCH DISCOVERY PRODUCTS**

WHO ARE WE?

Substantive Research was launched in 2015 and has grown rapidly to become a trusted partner to asset managers globally where we are best known for offering an independent and impartial discovery and comparison service across the entire external investment research and market data universe.

In the past year, we have expanded our coverage into the ESG space as a response to our clients' request for us to map the ESG data/research marketplace, carry out due diligence and help in market discovery of this rapidly evolving space. We have developed an industry-first ESG Provider dashboard that provides a searchable database of 150+ ESG research and data providers with thematic and coverage filters to match client preferences. We have also incorporated ESG research into our research discovery product to help asset managers navigate through the oversaturated market.

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