

# The forgotten S in ESG

We sat down with sustainable finance expert and thought leader, Sasja Beslik, to discuss the social side of ESG investing and what it takes for companies to start prioritising people.

In conversation with **SASJA BESLIK**  
Author & Chief Investment Strategy Officer, SDG Impact Japan

*Rana Plaza Factory collapse in Bangladesh (2013).*



**Q THERE IS A LOT OF ATTENTION SURROUNDING THE E OF ESG. DO YOU FIND THAT THE S IS NEGLECTED AS AN INVESTMENT FACTOR? WHAT ARE THE MAIN SOCIAL ELEMENTS THAT YOU LOOK FOR?**

**SB** Yes, the attention on E and particularly climate within the E has been dominating debate as well as activities by asset owners and asset managers. The main reason for this is of course a dire climate emergency and the related destruction we are witnessing across the world.

The other reason is that the financial industry likes to measure and compare things. CO2 emissions can be reported and measured. With that said, it is important to stress that Scope 3 emissions, the ones that really matter, are rarely reported and don't tend to be verified. So even on the climate side, within the E so to say, there is still a lot of work to be done. In my view, the S and especially the G factors are far more

important when you assess company on ESG. It is all about human capital, how companies are run, how decisions are implemented and executed. It is the people within the company, in their supply chain, and on the client side that make things happen.

Human Rights issues are heavily neglected and the main reason for that, in my view, is that industry can only take in one complex externality at the time. In our NextGen ESG Japan strategy we are explicitly assessing capacity and action taken by companies in which we invest in with regard to Human Rights in their supply chain and their own operations.

After Russia's invasion of Ukraine, it has become clear that neglecting Human Rights issues in the countries where your investments have exposure can be very costly.

We are focusing on tangible and absolute results when investing in companies.



**"The fact that today we call it 'modern slavery' is almost ironic. Slavery is slavery, and the mechanism has been the same throughout human history."**

**Q ARE THOSE SOCIAL TOPICS MEASURABLE IN THE SAME WAY AS ENVIRONMENTAL FACTORS? WHEN EVALUATING COMPANIES TO INVEST IN, ARE YOU SEEING PROGRESS IN TERMS OF DISCLOSING PERFORMANCE INDICATORS ON SOCIAL TOPICS IN QUANTITATIVE TERMS?**

**SB** This is a very good question. It’s a bit like asking whether you can measure how “good and loveable” your best friend is. For businesses, some elements are measurable and quantifiable, like health and safety in business operations. Audits can be performed, and follow-up measures implemented.

Other aspects are more difficult to measure, a bit like understanding how a company is concretely improving its supply chain. This is why the ESG industry is failing to learn that ratings are just a momentary snapshot. They only indicate how a company performs in terms of its own corporate conduct.

Social issues demand deeper analyst knowledge of the context in which companies are operating, as well as a much deeper understanding of key drivers for risk and opportunity.

Our approach is heavy on the bottom-up analysis, and we spend a lot of time with companies we invest in to understand the people that make decisions as well as what these decisions lead to. The S in ESG takes time, much more time than the E. And like with E, we are looking for tangible results.

**Q GIVEN ALL THE BUZZ AROUND DIVERSITY, EQUITY AND INCLUSION, FOR EXAMPLE, ARE YOU SEEING THAT TRANSLATING INTO BETTER METRICS OR JUST MORE CASES OF “PINK-WASHING”?**

**SB** Yes, the buzz has been around for many years and a sea of articles and brochures have been published. We need results. Our approach is to have gender equality as overlay criteria for all companies that we are investing in. In Japan, gender equality issues are related to underlying social structures as in many other places.

We view this as both an S and a G issue and consider it to be very material for our investments. But appointing more women in senior positions does not necessarily mean that working conditions, contracts and wages are improved for women in that company. For instance, Swedish company H&M has a female CEO, yet hundreds of thousands of women in its supply chain are not paid living-wages.



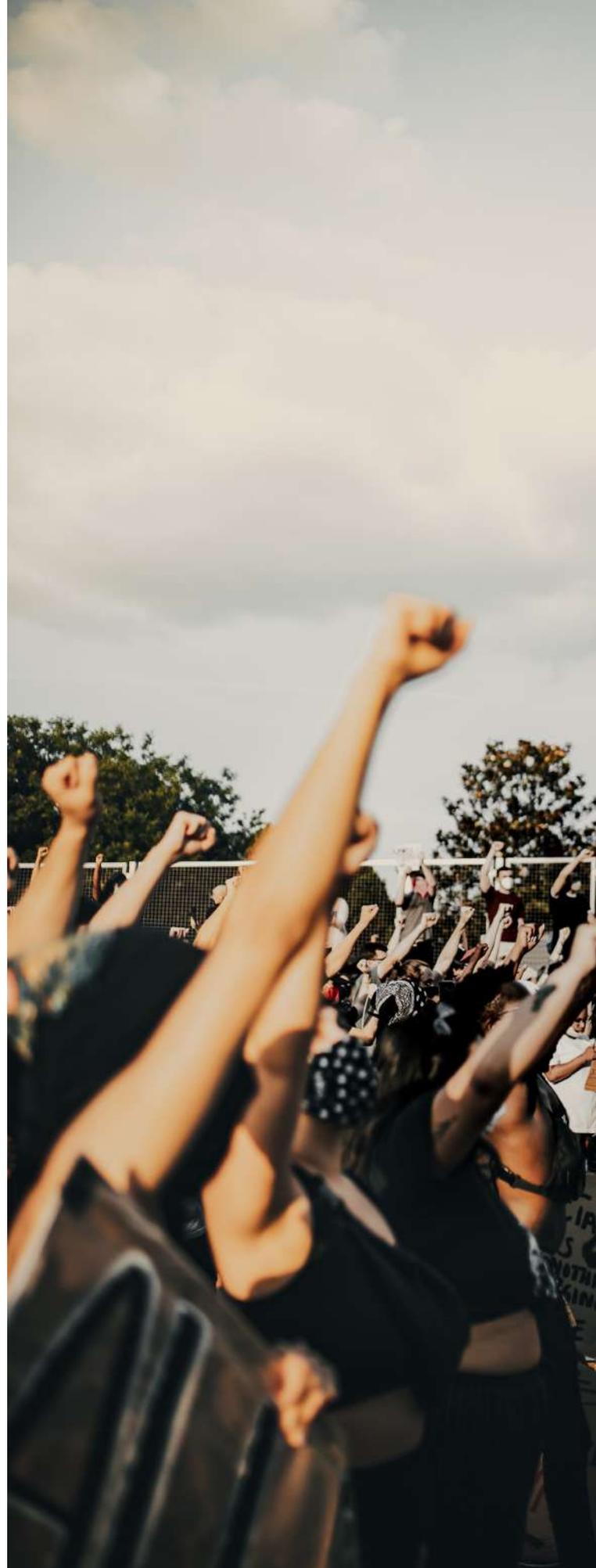
"86%  
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labour is found  
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sector."

**Q** WE'RE SEEING A GREATER FOCUS ON IMPACT IN SUSTAINABILITY REPORTING FRAMEWORKS AND STANDARDS. DO YOU THINK THIS WILL CREATE A SHIFT FROM ESG INVESTING TOWARDS IMPACT INVESTING?

**SB** Whatever we call different types of ESG reporting all come down to one thing, results. The future of ESG investing is more focused on the outcome of your investments than the process.

**Q** HOW DOES THE LACK OF STANDARDISED INDICATORS FOR HUMAN RIGHTS ISSUES PREVENT INVESTORS AND OTHER STAKEHOLDERS FROM UNDERSTANDING THE IMPACT AND RISKS ASSOCIATED WITH SUCH ISSUES?

**SB** The financial industry is one of the most highly paid and talent-attracting industries in the world. People working in the industry are fairly educated and understand that a piece of cobalt extracted by child in the DRC may be part of Bloomberg terminal.



**📌 IN 2020 THE UK MADE ANNUAL REPORTING ON GENDER PAY GAP DATA MANDATORY FOR ORGANIZATIONS WITH MORE THAN 250 EMPLOYEES. NOW, THE GOVERNMENT IS VOTING TO RAISE THE THRESHOLD TO 500 EMPLOYEES. DO YOU THINK THE RELAXING SUCH LAWS WILL BECOME MORE COMMONPLACE?**

**SB** Changes in areas where improvements have been made is creating confusion. Why should companies with ten employees not report? It is not about how many employees you have but the quality of people you have running a company.

We are currently living in the age of moral brutality and there will be many pushbacks against core democratic and equality principles constituting the very success of our societies. Sooner or later, it will flip back, the question is only how fast.

**📌 WHAT WOULD BE YOUR ADVICE FOR COMPANIES LOOKING TO IMPROVE IN THIS AREA?**

**SB** It is all about results. Focus on few but critical business aspects and spend time, money and resources on getting it right.

Don't overpromise and most importantly, don't be motivated by the possibility of just improving ESG ratings. Do it because it matters, because it is right thing to do, and do it because it improves your business.



**SASJA BESLIK**

*Author & Chief Investment Strategy Officer, SDG Impact Japan*

*Sasja Beslik was born in Bosnia and Herzegovina. At the age of 20, with 20 Deutsche Mark (about 10\$) in his pocket and three t-shirts in a plastic bag, he fled to Sweden. Sasja is currently the Chief Investment Strategy Officer at SDG Impact Japan.*

*He holds a bachelor's degree in journalism and economics at Stockholm University, and worked for several years as a war correspondent for the Red Cross and UNICEF — among other organizations. Sasja was previously Head of Sustainable Finance at Bank J. Safra Sarasin Sustainable Asset Management before which he was Group Head of Sustainable Finance for Nordea for 10 years. Prior to that, Sasja was Global Head of Responsible Investments & Engagement at Banco/ ABN Amro.*

*He was awarded an Order of the Seraphim medal by King Carl XVI Gustaf of Sweden for his achievements in the field of finance and sustainability in Sweden. Sasja co-authored "Where the Money Tree Grows: Invest Climate-Smart and Get Rich"*

