substantive RESEARCH

GREENHOUSE GAS EMISSIONS REPORTING

How Can Data Bridge The Gap?

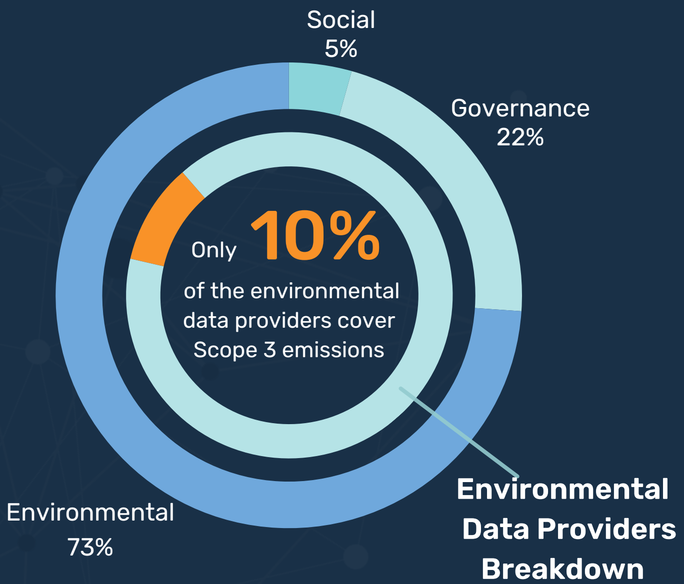
Source: Global Chain Report, CDP 2021

THE GHG PROTOCOL

first published its Corporate Standard in 2001 to measure carbon emissions from public and private sector operations, activities and value chains. 21 years later, firms are still struggling to disclose their full Greenhouse Gas (GHG) emissions data. In the recently released Global Chain Report of CDP, they found that only 20% of the surveyed suppliers have reported on their Scope 3 emissions vs. Scope 1 and 2 (71% and 55%, respectively). As supply chain emissions are generally 11.4 times higher than a company's operational emissions, accounting for more than 70% of its carbon footprint, lack of disclosure in this significant space will definitely skew the accuracy of GHG emissions data.

At Substantive Research, we have compiled and tagged ESG providers covering data, research, ratings and impact valuation into an industry-first TripAdvisor-like screener. In our research, only 10% of the Environmental data providers cover and calculate for Scope 3 emissions. Many comment on the daunting task of collecting the necessary information to calculate precise figures for indirect emissions in addition to the fact that most multinational companies use suppliers that do not calculate their own carbon footprint. Despite this, niche providers have developed methodologies to attempt to bridge the data gaps in climate change reporting.

ESG Specialists Breakdown



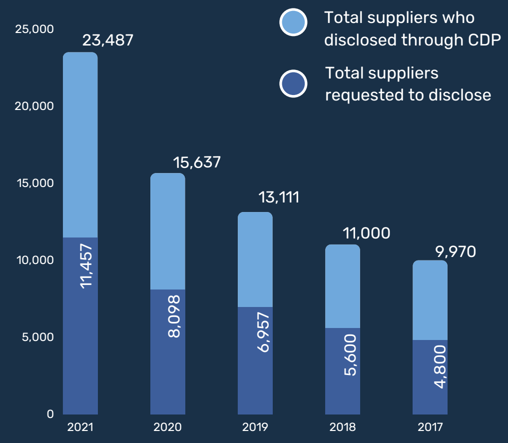
Contact the team to have the list of providers we are highlighting this month.

WHAT'S HAPPENING NOW

Last month, the SEC released its proposal to require US public companies to include climate-related disclosures in their registration requirements and financial statement reports. In this proposal, companies will need to disclose the risks to their business operations and strategies related to climate change, their plans for risk mitigation and transitions, their GHG emissions as well as the metrics and targets that they have set to meet their publicly stated commitments. This move will level the playing field for companies that already have plans to disclose their climate-related risks, European companies that are bound by the SFDR and ultimately provide investors with a consistent, verifiable metric for carbon emissions.

The issue with Scope 3 emissions is the difficulty of finding accurate data to report because the scope generally covers activities that are beyond the companies' direct operational control. This includes upstream emissions from the acquiring and processing of the product/service and downstream emissions from distributing the product/service and disposal of wastes. This is an enormous pile of data to collect and report. If the SEC proposals proceed ahead, companies would be required to disclose Scope 3 emissions which are material to their businesses.

CDP Supply Chain Disclosures

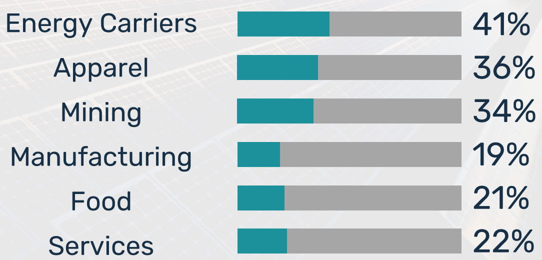


Source: Global Chain Report, CDP 2021

THINGS TO CONSIDER

In calculating GHG emissions, companies would need to answer questions such as:

Scope 3 Emission Disclosures, Per Sector



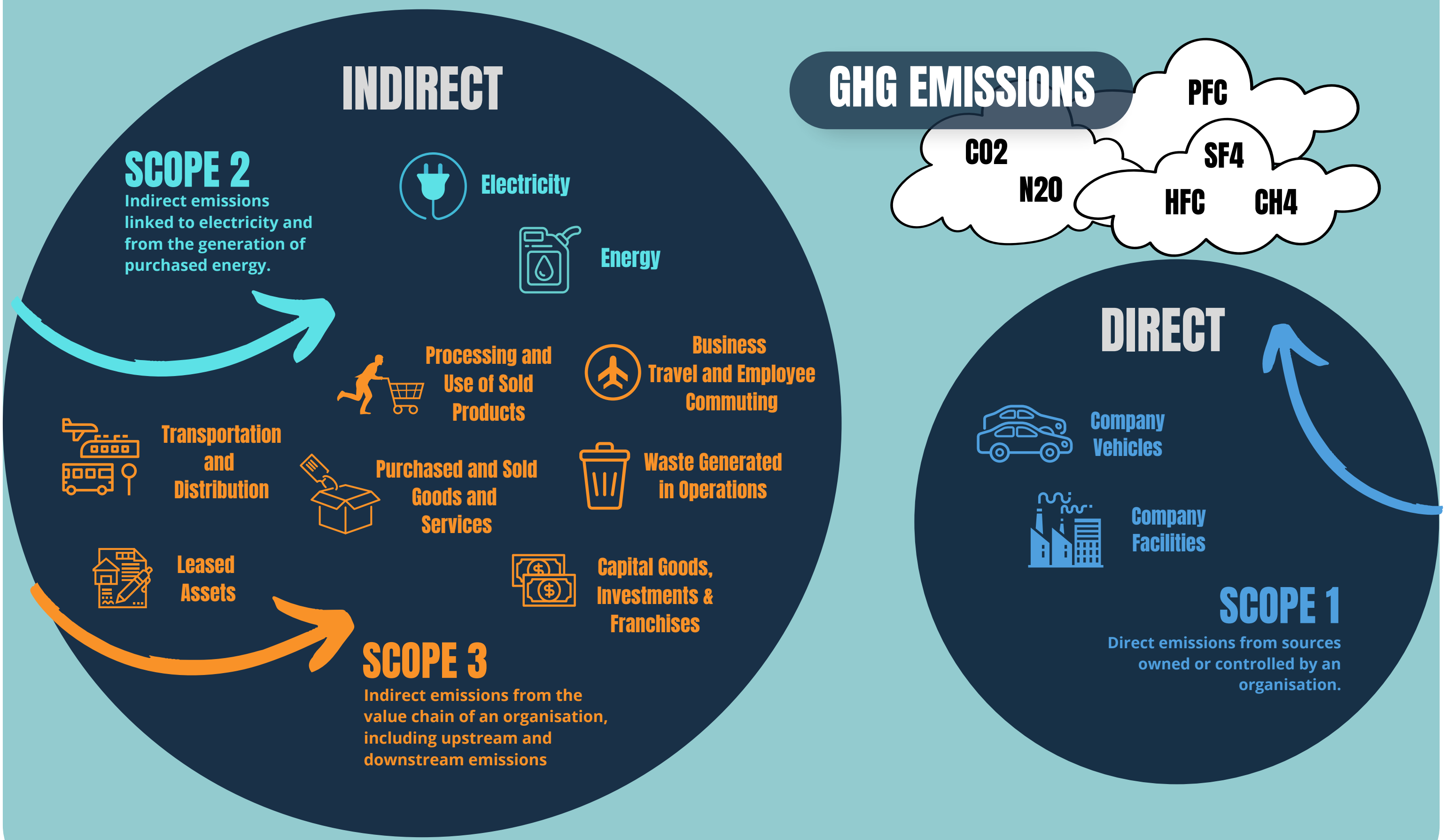
Source: Greenhouse-gas emissions: Corporate disclosure falls short of ESG reporting standards, Scope ESG 2021

- How far down the value chain do firms need to go in order to capture the full carbon footprint?
- How will companies calculate estimates for suppliers that do not calculate their own emissions?
- How do data providers solve the issue of double counting?
- Does data need to be reported by sector and segmented into several frameworks to follow specific disclosure requirements?
- Should organisations compile their own data or should they outsource their data collection to data providers?

In answering these questions, Substantive Research built an extensive list of ESG data providers and software solutions providers who help aggregate multi-level data and report on sustainable activities. This month, we highlight three providers that provide coverage on Scope 1, 2 and 3 emissions within their methodologies. These are highlighted as useful examples, but there are more providers keen on adding value to the transparency in supply chains. Contact us for more information on the differentiated providers.

WHAT ARE SCOPE 1, 2, & 3 EMISSIONS?

To help delineate direct and indirect emission sources, the protocol defined Scopes 1, 2 and 3 emissions for GHG accounting and reporting purposes. Scope 1 refers to direct emissions that occur from sources that are owned and controlled by the company, Scope 2 refers to emissions that result from the generation of purchased electricity consumed by a company and Scope 3 refers to all other indirect emissions. Given the broad definition of Scope 3 emissions, as well as a lack of consistency in SME disclosures, companies are finding it difficult to report on these data.



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' desire 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.

PLEASE EMAIL THE TEAM FOR MORE INFORMATION

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