

Press release

ESG Data holes and empty talent pools

Future of Sustainable Data Alliance publishes key initial recommendations

Brussels 10 December 2020

Today the Future of Sustainable Data Alliance (FoSDA) has launched its initial recommendations for best data practices for global future transition to a carbon-neutral, sustainable economy.

After launching in January 2020, and through engagement with global markets, FoSDA has agreed these more detailed recommendations for the financial community that fall into 3 broad categories:

- 1) An appeal for identifying and creating a path to filling ESG data gaps and data holes**
- 2) An offer of mapping data to sustainability taxonomies and policies**
- 3) An identified need for ESG data talent development globally**

Sherry Madera, Chair of FoSDA, and Chief Industry & Government Affairs Officer at Refinitiv, said; *“98% of Global Institutional Investors¹ take ESG and sustainability data into consideration when deciding to invest in a company, yet nearly 83% cite data as the obstacle to effective assessment. This needs further work to identify where data needs are well defined and need to be populated – a data gap - versus blank spaces where data is not yet available – a data hole.*

¹ Survey of 660 Global Institutional Investors commissioned by Refinitiv

At FoSDA we can focus on the data elements of sustainable finance to map data holes. Take Biodiversity - only 13%² of the companies that provide ESG data provide quantifiable data on biodiversity, yet this is where the world's financial community wants to measure impact. We need to work with regulators and industry to fill this data hole in order for us all to build back better post-COVID-19."

The robust increase in worldwide regulatory focus on sustainable finance is welcomed by FoSDA. However, data provides both a challenge and solution to successful policies. The FoSDA Recommendations identified challenges being compounded by the lack of standardisation in company reporting.

With 88% of GIIIs³ calling for more forward looking ESG and sustainability data to comply with planned regulations, FoSDA commits to working with regulators to identify these data requirements.

In the area of taxonomy development, already advanced in EU, China, Japan, Canada, Malaysia and other jurisdictions, the definition of the datasets required to be in compliance is needed. FoSDA calls for deeper collaboration between data providers and regulators during the taxonomy and policy development process, to map existing and needed data to policies as early as possible.

Sean Kidney, co-Founder and CEO of Climate Bonds Initiative, says: *"Sustainable Taxonomies provide a common language for markets and a rule set for incentives; they guide us as we work to create a sustainable future. But our ability to apply and review compliance against taxonomies, and all the policy instruments and incentives that will be associated, will depend on the availability of that sustainable data. The aim of FoSDA is to work closely with investors and regulators to ensure that availability, so we can all better create that future."*

FoSDA's work has also identified areas of improvement in the way data is used, the granularity of data collected, and the types of data included in financial analysis. The Recommendations suggest moving away from singular datasets where combining datasets yield richer understanding of ESG impacts. Specifically identified is the recommendation to unlock the potential of geospatial data to identify risks and analyse biodiversity impacts.

² Survey of 660 Global Institutional Investors commissioned by Refinitiv

³ Survey of 660 Global Institutional Investors commissioned by Refinitiv

The Recommendations also focus on ESG talent development, with 81% of GIIIs saying it is difficult to hire experienced ESG data talent[1]. The full potential of data can only be realised if the skilled personnel are there to deliver the analysis. One FoSDA partner, Bank of Africa, has been leading training programmes on the African continent. It is clear that robust data skills, sustainability experts and data scientists are needed in all regions to ensure that data is properly collected, reported and deployed in investment decisions. Governments, regulators and industry should join forces in supporting data skills development programmes. These education programmes and qualifications would contribute toward building the talent pool available to meet these objectives with the help of innovative technologies such as AI and blockchain, whilst also ensuring that these technologies are manufactured and deployed in a sustainable manner.

“As founding partners of the Future of Sustainable Data Alliance, we are proud to publish our initial key recommendations today,” says Matthew Blake, Head of Financial and Monetary System at the World Economic Forum. *“Since the launch during the Annual Meeting of the World Economic Forum this year, the FoSDA partners have been using their collective expertise and experience to deliver ESG data recommendations for the financial community. By engaging with regulators and industry we can together address the key challenges in the ESG dataspace and facilitate sustainable investing.”*

Matthew Chan, Head of Policy and Regulatory Affairs at Asia Securities Industry & Financial Markets Association (ASIFMA) adds: *“Data challenges in the ESG and sustainable finance field are a significant reality. Coordinated and concerted effort by the private, public and social sectors is necessary to address standards, and to enable comparable, reliable, accessible, useful data supporting the transition of key economic activity to a more sustainable footing.”*

“Data will play a critical role in the development of a net-zero future. We are laying the foundations for a robust data infrastructure that will enable cross-border, regulated data sharing that will help plug the data gaps and holes and enable everyone to engage in helping address our climate emergency” says Gavin Starks, Founder of IcebreakerOne.

Next steps: FoSDA will prepare a report, based on the recommendations and develop a more detailed view of the steps needed to address key challenges in the

ESG dataspace. FoSDA will engage with global regulators to help identify data sets that are available and those that might be needed, in order to gauge the availability of adequate ESG datasets needed to ensure compliance with ESG regulatory requirements. FoSDA will continue to work with partners and governments to expand the ESG data talent pool.

About FoSDA: Launched at the World Economic Forum in January 2020, the Future of Sustainable Data Alliance brings global partners together to seek to solve the question of what data investors and governments need to meet the 2030 climate targets? Founding partners include the World Economic Forum, United Nations, IIF, OMFIF, Tsinghua University, ASIFMA, GFMA, Climate Bonds Initiative, FinTech4Good, Everledger, Institute of Public and Environmental Affairs, Spatial Finance Initiative,

Bank of Africa-BCME and GoImpact, with membership growing with the recent addition of Icebreaker One.

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