Press release

Future of Sustainable Data Alliance publishes its flagship review of ESG Data Gaps and Holes

Today, as part of COP27, the Future of Sustainable Data Alliance (FoSDA) has launched its review of the corporate and sovereign ESG datasets that are the most critical for improving sustainability disclosure and analysis, and produced recommendations on topical trends and issues for policymakers and the financial industry in order to improve the availability of sustainability data, as well as data access, comparability and usage across different asset classes.

In 2021, FoSDA's ESG Data Gaps and Holes Workstream initiated the analysis of the data required to enhance corporate sustainability disclosures and provided several recommendations as part of FoSDA's first ESG data gaps and holes report ahead of COP26.

Data gaps VS Data holes
Data gaps are defined as instances where reporting frameworks exist, and datasets are requested and collected – but they are not always adequately populated.

Data holes refer to instances where there are limited robust frameworks, guidance, or best practices for data, and where at times there is uncertainty about what exact data would be needed or most useful.

Building on this initial work, the Workstream, co-led this year by Moody's and LSEG (London Stock Exchange Group), has delved further into key datasets for different use cases and financial market actors. New this year, the Workstream provided a top-level overview of the ESG data deemed critical for channeling sustainable investments in sovereign portfolios.

Sherry Madera (FoSDA Chair) said: *"Data is essential to the success of sustainable finance and FoSDA is committed to making practical and thematic*

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recommendations to improve data quality, comparability, and data density. To help guide the financial ecosystem we are pleased to be launching our flagship Data Gaps & Holes review focussed on corporate and sovereign ESG datasets at COP27. We believe these publications will support practical, strong and actionable policy initiatives based on the critical data and drive increased data density in specific datasets with the most use cases".

Sovereign ESG Data Gaps and Holes

The Sovereign ESG data report presents the preliminary findings of the review undertaken by FoSDA's ESG Data Gaps and Holes Workstream of five authoritative publicly available frameworks applicable in sovereign debt analysis. The report outlines the key challenges faced by different market actors while identifying and accessing publicly available data that is material for sovereign ESG analysis. The report is the result of desktop research and targeted engagement with fixed income investors and the FoSDA ESG Data Gaps and Holes Workstream members.

FoSDA found that ESG data providers and investors typically use proprietary frameworks based on different methodologies and ESG data points; specifically, while they use some of the data points included in the publicly available frameworks covered by FoSDA's review, this is often done in combination with other sources and third-party data because existing publicly available datasets are usually insufficient or do not fully meet the needs of their analyses and data products.

FoSDA analysis has shown that the sovereign ESG data available are mainly historical and contemporary, with a significant presence of data gaps and holes in several areas, including biodiversity and climate action, civil rights, gender and income equality, political stability, rule of law and civic freedom, public safety and government transparency. Missing data points from existing publicly available frameworks include cyber security risks and supply-chain disruption indicators, as well as comparable data across geographies that relies less on culturally sensitive or income-level biases. These findings show that a variety of data points, sources and technologies are required to satisfy the growing user needs of ESG data across the different types of market participants.

Out of the data points reviewed by FoSDA, 25 were identified of highest importance, including data on:

- Environmental: GHG emissions, pollution, transition risk and biodiversity, with more data gaps than holes. Data holes were highlighted in areas linked to environmental policy and climate resilience measures.

- Social: Health, income inequality and access to services, and the only pillar where neither gaps nor holes were present for some data points. The GINI index ranked highly across all surveyed participants, despite the gaps in the metric to accurately and robustly estimate income inequality, wealth, development and living standards.

- Governance: Political stability, corruption, rule of law, civic freedoms and public accountability, with a high presence of data holes across these critical governance factors.

Coziana Ciurea Butler (Senior Manager – ESG Analytics at Moody's ESG Solutions; FoSDA ESG Data Gaps and Holes Co-Chair) said: "*Financial actors are seeking readily available, consistent and high-quality data to align and deliver on their sustainability objectives. FoSDA's research on sovereign ESG data helps meet this growing market demand by identifying what ESG information is most useful for sovereign analysis, with a view to informing policymakers, regulators and market participants about critical gaps and holes in the data applicable in sovereign investments*".

Corporate ESG Data Gaps and Holes

The Corporate ESG data report provides an update of last year's [analysis](#) with the assessment of new topics, and a strong focus on social and governance data points. The Workstream has conducted a risk and impact analysis, along with a mapping of "must-have" versus "nice-to-have" data points.

The 2022 corporate ESG data review has shown that despite collaborative efforts to align corporate sustainability reporting frameworks, holes and gaps remain prevalent among social and environmental data points, with social pillar gaining more data points identified this year. The "must-have" data points have been identified in environmental, social, governance and economic pillar, however their distribution differed.

The following data points were identified as "must-have":

- Environmental: GHG emission targets, scope 1, 2 & 3, GHG emissions generated by real estate assets, GHG intensity of countries, temperature alignment, activity-level GHG emissions, renewable vs non-renewable power generation, fossil fuel reserves, water withdrawals.
- Social: workplace injuries & fatalities and employee health, safety & wellbeing.
- Governance: response to the operational risks, number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws, cost of fines, penalties or settlements, cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery and cybersecurity.
- Economic: production and sale of banned and/or controversial products and services

*About FoSDA:

The Future of Sustainable Data Alliance (FoSDA) is a multi-member alliance seeking to identify & accelerate reliable ESG data needed to deploy global capital sustainably and in line with the requirements of regulators, citizens and the market now and in the future. FoSDA was formed in Davos in January 2020, spearheaded by Refinitiv and the World Economic Forum. FoSDA's membership includes, among others, S&P Global, Moody's, LSEG (London Stock Exchange Group), Bloomberg, SIX Group, ESG Book, Clarity AI, CDP, Climate Bonds Initiative, OMFIF and ASIFMA.

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