Update to Green Finance Strategy: call for evidence

Open Data Institute response – 22nd June 2022

This is the Open Data Institute (ODI) response to the UK government’s call for evidence on updating the Green Finance Strategy. For more information on any of the positions outlined below, you can contact the ODI’s Policy team at policy@theodi.org.
About the ODI

The Open Data Institute (ODI) is an independent, non-partisan, not-for-profit organisation founded by Sir Nigel Shadbolt and Sir Tim Berners-Lee in 2012.

The ODI wants data to work for everyone: for people, organisations and communities to use data to make better decisions and be protected from any harmful impacts. We work with companies and governments to build an open, trustworthy data ecosystem. Our work includes:

- **pilots and practice:** working as a critical friend with organisations in the public, private and third sectors, building capacity, supporting innovation and providing advice

- **research and development:** identifying good practices, building the evidence base and creating tools, products and guidance to support change

- **policy and advocacy:** supporting policymakers to create an environment that supports an open, trustworthy data ecosystem

We believe that:

- **Infrastructure:** Sectors and societies must invest in and protect the data infrastructure they rely on. Open data is the foundation of this emerging vital infrastructure.

- **Capability:** Everyone must have the opportunity to understand how data can be and is being used. We need data literacy for all, data science skills, and experience using data to help solve problems.

- **Innovation:** Data must inspire and fuel innovation. It can enable businesses, startups, governments, individuals and communities to create products and services, fuelling economic growth and productivity.

- **Equity:** Everyone must benefit fairly from data. Access to data and information promotes fair competition and informed markets, and empowers people as consumers, creators and citizens.

- **Ethics:** People and organisations must use data ethically. The choices made about what data is collected and how it is used should not be unjust, discriminatory or deceptive.

- **Engagement:** Everyone must be able to take part in making data work for us all. Organisations and communities should collaborate on how data is used and accessed to help solve their problems.

We have a mixed funding model and have received funding from multiple commercial organisations, philanthropic organisations, governments and intergovernmental organisations to carry out our work since 2012.
Executive summary

We believe that a leading global centre for green finance is one in which investors can have confidence that their decisions about where to allocate capital are underpinned by trustworthy data on the environmental performance of potential investments. This requires the presence of a vibrant ecosystem of organisations providing data assurance products and services.

Data assurance is “the process, or set of processes, that increase confidence that data will meet a specific need, and that organisations collecting, accessing, using and sharing data are doing so in trustworthy ways”\(^1\). These activities can help to ensure that:

- the right data is collected and shared, and that its collection and reporting follows appropriate standards;
- organisational processes for reporting are compliant with legal and regulatory requirements and comparable across different companies and investment products;
- decision-making processes adequately take into account and respond to the information created from data.

Business-to-business (B2B) data assurance, including of environmental performance data, is an emerging sector in which rapid growth is expected over the coming years. Around 900 UK firms currently offer data assurance products and services, more than half of which have been incorporated in the last 10 years.\(^2\) The UK could become an international centre for excellence in data assurance, supporting the Government’s wider economic and international ambitions.

However, we believe that Governmental or regulatory intervention might be necessary to unlock the considerable economic opportunities associated with the growth of data assurance in green finance. This could include:

- developing clear definitions and standards, including by requiring consistent mandatory reporting standards for firms and investment products and encouraging the adoption of open, interoperable data standards for environmental performance data;
- driving and directing the growth of data assurance by taking steps to stimulate demand and regulating to ensure the services provided are of the requisite quality;
- future-proofing data assurance by conducting or commissioning research into trends such as the increasing use of alt data and AI systems in producing disclosures, and the role of data institutions in stewarding environmental performance data.

The ODI is actively working to expand our knowledge of data assurance as an emerging practice. For more detail on the areas examined in this evidence submission, please refer to our new publication “Tackling greenwashing through data assurance”\(^3\).

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1. The ODI (n.d.) Glossary
2. Frontier Economics (2021) Review of the UK business to business data assurance market
3. The ODI (2022) Tackling greenwashing through data assurance
Capturing the opportunity

1. What are the key characteristics of a leading global centre for green finance?

A leading global centre for green finance is one in which investors can have confidence that their decisions about where to allocate capital are underpinned by accurate, high-quality data on the environmental performance of potential investments. This requires the presence of a vibrant ecosystem of organisations providing data assurance products and services and ensuring the trustworthiness of the environmental data value chain.

In the current financial system, an ecosystem of “green finance” firms has sprung up offering services related to the reporting of environmental performance, from data providers to indices and ratings agencies. These firms are fundamentally data businesses and the way they create impact can be understood in terms of the ODI’s established concept of the “data value chain”:

- companies and data providers *steward* environmental performance data: collecting it, maintaining it and sharing it;
- companies, asset owners and financial organisations *create information* from this data in the form of analyses, insights, and visualisations, which are disclosed to investors;
- investors (both institutional and retail) *make decisions* about how to invest on the basis of this information and other factors.

However, the integrity of this process is threatened, both in the UK and globally, by greenwashing: “the practice of making misleading or unsubstantiated claims about the environmental performance of economic activities or investment products”. Greenwashing risks discrediting the green finance agenda and jeopardising the transition to net zero.

We believe that a “leading global centre for green finance” is one in which government, regulators, investors, data vendors, industry bodies and other market participants work together to reduce the threat of greenwashing. A key feature of such a leading global centre would be the presence of a vibrant ecosystem of organisations providing data assurance products and services to ensure the trustworthiness of the green finance data value chain.

Data assurance is “the process, or set of processes, that increase confidence that data will meet a specific need, and that organisations collecting, accessing, using and sharing data are doing so in trustworthy ways”. These activities will be relevant at each stage in the green finance data value chain, helping to ensure that:

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4 The ODI (n.d.) *Our theory of change*
5 HMT (2022) *Greening Finance: A Roadmap to Sustainable Investing*
6 The ODI (n.d.) *Glossary*
● the right data is collected and shared, and that its collection and reporting follows appropriate standards;

● organisational processes for reporting and insight creation are compliant with legal and regulatory requirements and comparable across different companies and investment products;

● decision-making processes adequately take into account and respond to the information created from data.

For these reasons we consider data assurance to be vital to the creation of value from data. Please refer to our answers in the section “Greening the financial system” (Q26-28) for more detail on how these practices would function in the green finance sector.

6. What areas for potential growth – for example emerging financial products and instruments – are there in green finance for the UK financial services sector?

Data assurance, including the assurance of environmental performance data, is an emerging sector in which rapid growth is expected over the coming years. We believe there is an opportunity for the UK to lead in this space and develop a reputation as a global centre for excellence in data assurance, supporting Government ambitions for the UK to become a global data and digital services hub.

Research carried out for the ODI by Frontier Economics and glass.ai in 2021 found a nascent but buoyant market of UK business to business data assurance firms and services, with around 900 firms offering data assurance products and services in the UK and more than half of them having been incorporated in the previous 10 years.\(^7\)

Data assurance firms are currently being created at a rate of nearly 12% per annum and additional research by Metia for the ODI has found evidence that this growth will continue:

> "Initial forecasts indicate the data assurance market for external data flows will shift from a 14.34% share in 2021 to 37.5% by the end of the decade. Based on projected market growth, the size of the external data flows market is estimated to be £7.31bn by 2025 (up from £1.86bn in 2021), with growth anticipated across three sectors in particular; financial services & insurance (incl. banking); pharmaceuticals / healthcare (incl. life sciences); and energy & climate change."\(^8\)

This includes data assurance products and services focused on environmental performance data. Traditional professional services firms such as KPMG, Ernst and Young, PwC and Deloitte (sometimes referred to as the Big Four) have started attending to opportunities in the ESG assurance sector, with one recent blog post by KPMG arguing that ESG assurance to be a

\(^7\) Frontier Economics (2021) Review of the UK business to business data assurance market
\(^8\) Additional research for the ODI, Metia (2022)
‘game changer’ for the professional services sector. Services offered by these firms are generally focused on offering independent assurance of the data and frameworks used for disclosure, as well as of legal and regulatory compliance.

ESG data assurance products are also being developed by new entrants to the market. The second cohort of the Financial Conduct Authority’s (FCA) Digital Sandbox focused on supporting firms that are developing innovative or disruptive products and services in the area of ESG data and disclosure. This cohort included firms such as Greenway Analytics, which draws on multiple data sources (e.g. from Internet of Things devices, Energy Performance Certificate reports and satellite imagery) to validate reported data on energy performance, and using machine learning to provide environmental insights into the impact achieved. Another company, Telespazio UK, is working on a tool that uses satellite imagery to measure environmental impacts on forests in order to assign an impact score and a recovery score for economic activities.

We believe there is an opportunity for the UK to build on these initiatives and leverage its existing strengths in professional services to lead globally in this space. Developing a reputation as a global centre for excellence in data assurance in general, including assurance of environmental reporting data in particular, would support wider Government aspirations to deliver economic growth and establish the UK as a global data and digital services hub, as set out in the Plan for Growth and the Integrated Review respectively.

However, we also believe that downstream barriers and market failures might prevent these services from emerging, in which case government intervention might be necessary to unlock the considerable economic opportunities associated with the growth of data assurance in general and assurance of environmental reporting data in particular. We discuss these issues at further length in our response to Q28 and in our new publication “Tackling greenwashing through data assurance”.

Greening the financial system

26. What are the key characteristics of a Net Zero-aligned Financial Centre?

The government defines a “Net Zero-aligned Financial Centre” as one in which all financial institutions have robust firm-level transition plans setting out how they will decarbonise. We agree that this is a necessary condition for net zero-alignment, but

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9 KPMG (2022) ESG Assurance will be a game changer
10 Deloitte (n.d.) Environmental, Social and Governance (ESG) assurance
11 PwC (n.d.) Sustainability assurance and reporting services
12 FCA (2022) Digital Sandbox
13 HM Treasury (2021) Build Back Better: our plan for growth
15 ODI (2022) Tackling greenwashing through data assurance
16 HM Treasury (2021) Fact Sheet: Net Zero-aligned Financial Centre
believe it is not a sufficient one because it only addresses the final “decision-making” stage of the green finance data value chain. To fully align financial flows with emission reduction targets, actors at each stage of the green finance data value chain – data stewardship, insight creation, and decision-making – need to act in ways that are aligned with net zero goals. This can be supported through the provision at each stage of relevant data assurance products and services.

At the data stewardship stage of the green finance data value chain, individual companies and specialist data providers or vendors collect, maintain and share data on environmental impacts and risks (including both transition risks and physical risks). The following data assurance activities could be relevant at this stage:

- **Assurance of data practices relevant to the stewardship of data on environmental risks and impacts**, including the appropriate acquisition and sharing of data and organisational governance; management of risks around that data, including greenwashing or misrepresentation risks; and data management policies and processes once the data has been collected or procured. Activities to help provide assurance here could include checking that the company has a proactive and well-informed strategy for the acquisition of relevant data; ascertaining that data access and management processes are being followed, and that they are in line with the company’s data strategy; or more formal mechanisms such as external audit or certification of the above processes to an agreed industry standard.

- **Assurance of the data used to assess environmental risks and impacts**, particularly its provenance (where it is from and how it was produced); validity (its accuracy and quality); linkability with other relevant datasets; and risks related to its use for assessing environmental risks and impacts. Activities to help provide assurance here could include providing documentation to support understanding of context and limitations in the data relating to its usefulness in assessing climate impacts and risks; or validation against a set of standards.

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17 Our new publication [*Tackling greenwashing through data assurance*](https://doi.org/10.17869/CRIS.52384) identifies three different categories of environmental performance data:

- Data about transition risks – business-related risks arising from the changes necessary for the transition to net zero, which include changes in technology, policy, regulation, markets and consumer sentiment.
- Data about physical risks – business-related risks arising as a consequence of the climatic impact of global heating and the increased frequency or severity of extreme weather events.
- Data about environmental externalities – impacts on the climate and environment that are produced as a consequence of business activities, but which do not necessarily pose business-related risks.

For more information see The ODI (2022) [*Tackling greenwashing through data assurance*](https://doi.org/10.17869/CRIS.52384).

18 One approach for providing this context is the suggestion that “every dataset be accompanied with a datasheet that documents its motivation, composition, collection process, recommended uses, and so on.” For more information on this proposal – made in the context of machine learning, but relevant to environmental performance data – see Gebru, Morgenstern, Vecchione, Vaughan, Wortman, Wallach, Daumé and Crawford (2021), [*Datasheets for Datasets*](https://doi.org/10.17869/CRIS.52384).
At the insight-creation stage, companies, indices and ratings agencies use the data created at the stewardship stage to create insights into environmental performance and climate-related risks for disclosure to investors. The following assurance activities could be relevant at this stage:

- **Assurance of data practices relevant to the creation of insights**, including the presence of relevant skills and knowledge (for instance, expertise in environmental and climate science), the adoption of an appropriate strategy for the creation of relevant insights, and the suitability of data analysis processes (for example that they are repeatable and transparent). Activities to help provide assurance here could include the certification of organisational processes against standards and advice from external experts such as environmental scientists.

- **Assurance of the data being used to create insights**, particularly its interoperability with other datasets that it might need to be linked or combined with, and its compliance with any legal and or regulatory expectations. Activities to help provide assurance here could include licensing around reuse permissions; or validation against a set of standards.

- **Access to data assurance outputs** from the previous data stewardship stage.

At the decision-making stage, investors (both retail and institutional) use the insights that have been created to inform their transition plans and guide investment decisions. The following assurance activities could be relevant at this stage:

- **Assurance of data practices relevant to the decision-making stage**, including that data users have been appropriately engaged and supported throughout; that decisions have been informed by data and insights which the company is justifiably confident in; and that the limitations of those data and insights are known. Activities to help provide assurance here could include checking organisational processes against certain predefined standards.

- **Access to data assurance outputs** from the previous insight-creation stage.

As indicated above, each of these stages is dependent on the prior stage. The decision-making stage – at which transition plans are set and investment decisions made – cannot be considered fully aligned with net zero if the prior stages are not, and so we believe the availability of data assurance products and services for actors at each stage of the green finance chain is a key characteristic of a Net-Zero aligned Financial Centre.

27. What market barriers are there to the integration of environmental-related factors into financial decision-making?

Three structural features of the current green finance system inhibit the integration of environmental-related factors into financial decision-making: inconsistent frameworks, low transparency, and lack of accountability. These features, and the misalignment of incentives within the market, gives rise to the phenomenon of
“greenwashing”. Data assurance for green finance can help to tackle these structural features and reduce greenwashing.

Even when companies and asset managers have access to all the necessary data to assess the environmental risks and impacts associated with their activities, misalignment of incentives between different actors in the financial system may hinder the flow of information to financial decision-makers. Asset managers and corporate managers might choose to not disclose relevant information if it depicts their activities in a negative light; or might disclose information in a way that is not comparable across different investment products and firms; or might disclose information that is unsubstantiated or otherwise misleading.

We refer to these practices as greenwashing: ‘the practice of making misleading or unsubstantiated claims about the environmental performance of economic activities or investment products’. The prevalence of greenwashing in the financial system distorts the information available to financial decision-makers and means that markets may not accurately reflect climate change-related risks and impacts.

Our new publication ‘Tackling greenwashing through data assurance’ identifies three main structural features of the green finance system that currently enable greenwashing under current conditions, each of which can be mitigated through assurance of environmental reporting data:

- Inconsistency of frameworks, definitions, ratings and standards. This creates opportunities for companies and investors to 'shop around' for indicators that are more favourable to them, rather than indicators that are most rigorous or robust. Data assurance can contribute to the consolidation of standards by driving their wider adoption.

- Lack of transparency as to how data is being used to produce insights and make decisions. Organisations may claim to make decisions on the basis of environmental performance information underpinned by sound data, but decline to make the information public because of uneven transparency requirements – a problem which is exacerbated by the global nature of supply chains and varying transparency obligations in different jurisdictions. The assurance of data and data practices used in green finance can help to tackle this by creating an expectation of transparency to investors and regulators on how disclosures are being produced.

- Lack of accountability to external stakeholders as a result of weak institutional arrangements. In other words, even when decisions and the information and data used internally are transparent, poor or non-existent accountability mechanisms can mean that harmful activities continue unabated. Third-party data assurance (i.e., assurance products and services procured from another business or organisation) can

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19 Madison Condon (2022) Market Myopia’s Climate Bubble
20 The ODI (2022) Tackling greenwashing through data assurance
21 Common Wealth (2021) “Doing Well by Doing Good”? Examining the rise of ESG Investing
remedy this by introducing accountability to external parties into processes that are currently internal.

28. What should the role of the UK government or regulators be to support the greening of the financial system? How could they go further?

Greening the financial system requires mechanisms to ensure environmental reporting data is fit for purpose and trustworthy, and ensuring actors in the ecosystem can earn public trust in those data practices. To green the financial system, government and regulators should take steps to support the development of a strong assurance sector for data and data practices used in green finance.

Our recent report ‘Tackling greenwashing through data assurance’ identifies three areas that will require further investigation and intervention from the government in order to embed data assurance practices in green finance and help the sector realise its full potential.

This will involve, firstly, laying the foundations for the assurance of environmental performance data, by:

- providing consistent reporting standards for sustainability disclosures for firms and investment products, with clear, usable definitions of the risks and impacts that ought to be reflected in sustainability reporting;
- supporting open standards for data for sustainability reporting, ensuring that data used for disclosures is interoperable and comparable across different investment products and firms;
- taking steps to ensure that standards and ratings providers are trustworthy and trusted, not only by investors and companies but by the environmental and scientific communities, and the wider public.

Secondly, the potential for misalignment of incentives (as discussed in our response to Q27) between different actors in the financial system means that some companies may try to procure sub-standard assurance products and services that report their processes in a more favourable light. Government and regulators may therefore need to drive and direct the growth of the assurance sector, by:

- monitoring demand and uptake of assurance services, and quality of disclosures, and if necessary taking steps to stimulate demand for assurance services;
- shaping and maintaining quality in assurance services for green finance, including by providing accreditation to trusted providers.

Finally, government and regulators should consider future-proofing data assurance by conducting or commissioning research into trends such as:

- the prevalence of missing data for disclosure requirements;

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22 The ODI (2022) Tackling greenwashing through data assurance
- the increasing use of alternative data or “alt-data” sources, which the ODI defines as “data that is commonly used and analysed in a certain domain, put to a different or new use”, such as the use of agricultural, transport or retail datasets in finance;
- the need for assurance of Artificial intelligence (AI) systems, which are increasingly used at the insight creation stage of the green finance data value chain to create more sophisticated analyses and insights from data;\(^\text{23}\) and
- the emergence of data institutions that steward data relevant to green finance.\(^\text{24}\)

An Oxford Insights report for the ODI “Regulators, industry bodies and professional bodies: their role in data assurance” provides more detail on how regulators across different sectors can support data assurance.\(^\text{25}\) Many of these activities – ranging from incorporating data assurance into existing training programmes and initiatives to requiring mandatory adoption of certain data assurance practices – are applicable to green finance and the assurance of environmental performance data. We believe that introducing a statutory secondary objective for regulators to facilitate the UK finance sector’s alignment with net zero – as called for by major insurance provider Aviva and environmental NGO WWF – would help to empower regulators such as the FCA to take these steps.\(^\text{26}\)

**Providing the market with the right data**

30. What steps can the UK government take to support a robust investment data ecosystem to attract green finance flows?

In addition to implementing measures which support data assurance, the government should also take steps to improve other aspects of national and international data infrastructure for green finance. This could involve supporting the establishment of data institutions which develop and maintain standards, and facilitate the trustworthy sharing of data.

Robust data ecosystems require robust data infrastructure, which the ODI defines as data assets, standards, technologies, processes and policies. As indicated in our response to Q1, Q26 and Q28, we believe that embedding data assurance practices across the green finance value chain could contribute to each of these aspects of data infrastructure – for example by strengthening uptake of standards, or improving the quality of data assets. Our answer to Q28 outlines some ways the government could support the UK’s nascent data assurance sector for green finance.

\(^{23}\) S&P Global (2020), *How can AI help ESG investing?*
\(^{24}\) The ODI defines data institutions as “organisations whose purpose involves stewarding data on behalf of others, often towards public, educational or charitable aims”. For more information, please see our answer to Q30 and ODI, *Data institutions*.
\(^{25}\) Oxford Insights (2022), *Regulators, industry bodies and professional bodies: their role in data assurance*.
\(^{26}\) WWF (2022), *WWF and Aviva urge Government to make climate and nature goals*
Data infrastructure needs to be stewarded and contributed to by trustworthy and financially sustainable data institutions, which the ODI defines as “organisations which steward data [and data infrastructure] on behalf of others.” They can do so in different ways, including by:

- Protecting sensitive data and granting access under restricted conditions.
- Combining or linking data from multiple sources, and providing insights and other services back to those that have contributed data.
- Creating open datasets that anyone can access, use and share to further a particular mission or cause.
- Acting as a gatekeeper for data held by other organisations.
- Developing and maintaining identifiers, standards and other infrastructure for a sector or field, such as by registering identifiers or publishing open standards.
- Enabling people to take a more active role in stewarding data about themselves and their communities.

The relative importance and number of data institutions – some of which are referred to as data intermediaries, data trusts or data-sharing services – is increasing as more use-cases require data to be aggregated from multiple sources. This includes data institutions that steward data relevant to green finance. The Data Institutions Register, developed and maintained by the ODI, includes a list of 30 data institutions working with climate data, including:

- iNaturalist, a citizen science project which empowers people to document biodiversity and share images of flora and fauna.
- Globe at Night, an international citizen science campaign to raise public awareness of the impact of light pollution by inviting citizen-scientists to measure and share their observations of the brightness of the night sky.
- Sensor.Community, a network of individuals with DIY air quality sensors. The community pools data about air quality from all over the world to create an open environmental dataset.
- The Energy Data Co-op, being developed by Open Data Manchester and Carbon Co-op, where people can pool and share data to improve the efficiency of their homes by changing how energy is used.

Data institutions such as these could potentially play a role in stewarding data that is relevant for different actors in the green finance ecosystem, including ratings providers, regulators, investors and asset managers. Data institutions can also play a role in setting standards and in making data from statutory disclosures accessible in ways that allow third parties to evaluate and compare information across different companies and products.

We believe that the government should provide support for data institutions that collect and share environmental data, or that maintain identifiers, standards and other infrastructure relevant to green finance. There are a number of ways government can consider intervening to
build trust in emerging data institutions, as outlined in our ‘Bottom-up data institutions: mechanisms for Government support’ report.27

31. Are Scope 3 (supply chain) emissions data important for investors to assess and manage climate-related risks and opportunities?

Yes, Scope 3 emissions data are important for investors to assess and manage climate-related risks and opportunities.

Scope 3 emissions can account for ‘the largest source of emissions for companies and present the most significant opportunities to influence greenhouse gas reductions’28. Reducing these emissions requires, first of all, an accurate assessment: if data on Scope 3 emissions is not factored into disclosures about environmental performance, then decisions made on the basis of such disclosures will rely on incomplete information about their environmental impact and its climate-related risks and opportunities.

Scope 3 emissions are important particularly in assessing transition risks. Suppliers with high levels of emissions are exposed to transition risks such as regulatory changes that may increase their operating costs or reduce their capacity to do business in the future, thus affecting disclosing entities at the end of the supply-chain.

32. Is there a role for the UK government to support businesses (of different types and sizes) to make good quality Scope 3 emissions disclosures (including SMEs in the value chain of disclosing entities)? If so, what should this be?

Yes, we think there is a role for the UK government to support businesses to make good quality Scope 3 emissions disclosures.

Currently, most organisations find it difficult to calculate Scope 3 emissions. Collecting data on these emissions that are not ‘owned’ by the organisation in question involves multiple stakeholders and data sources, and the accuracy depends on whether those stakeholders calculate their emissions in a consistent way. When calculated, organisations often use secondary or proxy data to estimate the emissions that go into products and services, such as weighted averages across the industry, rather than primary supplier emission data. This results in rough approximations rather than a real picture of emissions in the supply chain, lacking the

27 The ODI (2022) ‘How can the UK government and other policymakers support “bottom-up data institutions”?’
28 World Resources Institute and World Business Council for Sustainable Development (2011), Corporate Value Chain (Scope 3) Accounting and Reporting Standard Supplement to the GHG Protocol Corporate Accounting and Reporting Standard’
granularity that would allow organisations to effectively identify and measure the impact of supply chain actions that can help reduce emissions.

Research carried out by the ODI as part of our ongoing partnership with Microsoft has explored the possibility for a global coalition of organisations to work together on improving the tracking of Scope 3 emissions. Our report ‘Accelerating progress on tackling the climate crisis through data collaboration’ suggested a pilot project – looking at the supply chains of technology products – which could then inform data collaboration practices among companies and their suppliers in other sectors of the economy. This would focus on developing appropriate governance mechanisms – i.e. how decisions would be taken around what data is shared, how and with whom – and open data standards to support the process of combining data from different suppliers of technology companies, for example those that mine minerals for products, or transport companies that ship products and materials around the world, and calculating disclosures on the basis of this data. A collaboration of this sort would help to simplify the process of tracking Scope 3 emissions, supporting businesses of different types and sizes to comply with disclosure requirements.

There is already promising work being done in this area, including the Carbon Call, which is supported by organisations including Microsoft and the ODI, the World Business Council for Sustainable Development (WBCSD)’s guidance on reducing value chain emissions, and other initiatives such as the Transform to Net Zero Initiative and the Open Footprint Forum. Through using its convening power to strengthen existing collaborations, directly funding further work, or intervening to strengthen and embed standards within the sector, the Government has an opportunity to improve the capability of businesses of all types and sizes to comply with disclosure requirements while also supporting its ambition for the UK to become a leading hub for data and digital services as set out in the Integrated Review.

SMEs face further additional barriers to complying with regulations on disclosure of Scope 3 emissions, predominantly relating to costs. As it does with other types of regulation, government may want to consider playing a role in reducing the costs – including advisory, assurance, search, legal and compliance – associated with disclosures.

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29 The ODI (2021) Accelerating progress on tackling the climate crisis through data collaboration
30 WBCSD (2020) EcoVadis and WBCSD join forces to reduce scope 3 emissions