

# The State of Corporate Sustainability Data in Canada – Survey Results

June 2022

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## EXECUTIVE SUMMARY

A major reallocation of capital will be required to transition Canada to its goal of Net Zero carbon emissions. However, to make the decisions that will get us there, financial institutions, regulators, investors and other stakeholders will need quality information and data about corporate GHG emissions and climate risks.

The Institute for Sustainable Finance (ISF) recently surveyed researchers, investment professionals and academics to better understand the current state of sustainability data. The survey was distributed to over 700 individuals and 120 responses were received.

Respondents were fairly evenly split between academia and the private sector, with the remaining 30% coming from the public sector, Non-Governmental Organizations (NGOs) and Other categories. The survey shows that there is some dissatisfaction with the state of sustainability data. Academics are relatively less satisfied with the quality of data than other respondents. Missing values and incomplete information were the two top-ranked issues with respect to sustainability data. Bloomberg was the top cited source for sustainability data, followed by MSCI, internal data sources, and CDP. However, both private and public data providers are used regularly.

The survey also highlights the significant demand for additional data from survey responders. Public and private data providers should take note.

Overall, this survey reveals that there is room for improvement in terms of quality, usability, and the amount of sustainability data available. With advancements in regulatory data requirements and investors' data requirements, there is an imperative for data quality and availability to improve over time.

## INTRODUCTION

In recent months, public authorities have advanced measures to address the impact and financial risks of climate change. In January, 2022, the Bank of Canada and Office of the Superintendent of Financial Institutions released the results of a pilot project on climate scenario analysis. The Canadian Securities Administrators has released draft regulations for climate disclosures for Canadian firms, and the US Securities and Exchange Commission has more recently done so as well.

Financial institutions are in a unique position to mobilize climate-related investments, and indeed the financial sector as a whole will play a vital role in the transition to carbon-neutrality. However, in order to be efficient allocators of capital, these institutions need data to make allocation decisions. Regulators are faced with a similar problem in that their ability to monitor financial risks associated with a changing climate is impaired by the lack of data. Furthermore, investors seeking to make retirement investment decisions are unable to evaluate the financial impact a changing climate could have on their portfolio.

In this context, the ISF conducted a survey on the state of sustainability data. The research looks to gain a clearer picture of the issues with data available today, as well as the needs of researchers and professionals going forward.

## SURVEY DESIGN

More than 700 people were asked to answer five questions and to provide demographic information about themselves. Each of the 120 respondents was asked to provide the sector in which they work and list all sources of sustainability data they use.

Respondents then indicated their general satisfaction with the state of sustainability data by choosing one of four options ranging from “totally dissatisfied”, to “very satisfied”. In the next question, respondents were asked to rank issues with sustainability data in order of priority, providing a number between 1 and 10 for each of the categories that were listed, including: missing values, errors in data, difficulties accessing data, difficulties manipulating data, difficulties merging sources, incomplete information, and an optional “other” category. The last question was formatted similarly, this time asking respondents to rank their most pressing sustainability data needs. The options listed were: more data, cleaner data, lower cost of data, improved compatibility and mergeability of datasets, and an “other” category.

Finally, respondents were given the opportunity to provide any additional comments about sustainability data issues. All questions were optional.

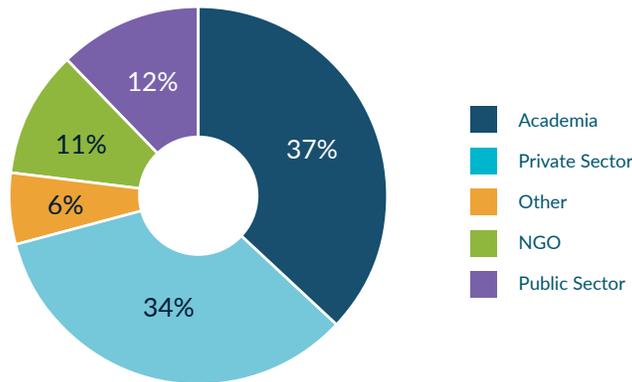
## RESULTS

Of the 120 responses, 36 were discarded because the respondent only answered the demographic question. The remaining 84 survey responses were used for our analysis.

Responses were received from a variety of professionals working across a number of sectors, with strong representation from the private sector and academia, which account for 34% and 37% of respondents respectively. Demographics are reported in Figure 1 below.

**FIGURE 1**

### Respondent Demographics



While academia and the private sector dominate the responses, close to one-third come from NGOs, the Public Sector, or other sectors. The sample represents a good cross-section of the likely users of sustainability data and should generate a representative view of the state of sustainability data.

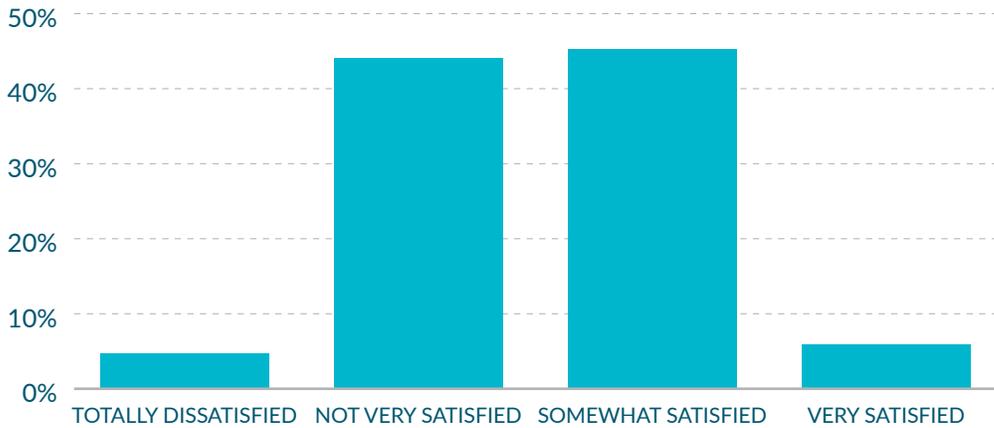
### **Q1: Overall, how satisfied are you with the availability of sustainability data that can be accessed through public and commercial sources?**

The question is perhaps the most important as it addresses general satisfaction with sustainability data from all sources. The results show clearly that there is room for improvement in the state of sustainability data in Canada.

Only 6% of respondents were very satisfied while 45% of respondents reported being “somewhat satisfied”, 44% reported being “not very satisfied”, and 5% were listed as “totally dissatisfied” with the current availability of sustainability data. On balance it is fair to say that sustainability data can be improved. The exact breakdown of satisfaction is reported in Figure 2.

**FIGURE 2**

### Satisfaction with Availability of Sustainability Data



While averages over groups can be informative, it is also interesting to see how individual groups with different data needs and skills view the state of sustainability data. As seen in Figure 3, the academic sector was slightly less satisfied with the general quality of the data compared to the private and public sector. Public and private sector users were the most satisfied with the data. Only NGO and public sector researchers were never “totally dissatisfied” with the data.

Further, frustrations with the state of sustainability data appear to be prevalent amongst researchers working across all sectors. There is significance to this consensus, as cooperation between all stakeholders is extremely important if these data gaps are to be closed. Having a common view of the quality of the data is important to having the data improved.

**FIGURE 3**

### Satisfaction with Sustainability Data: Broken Down by Sector



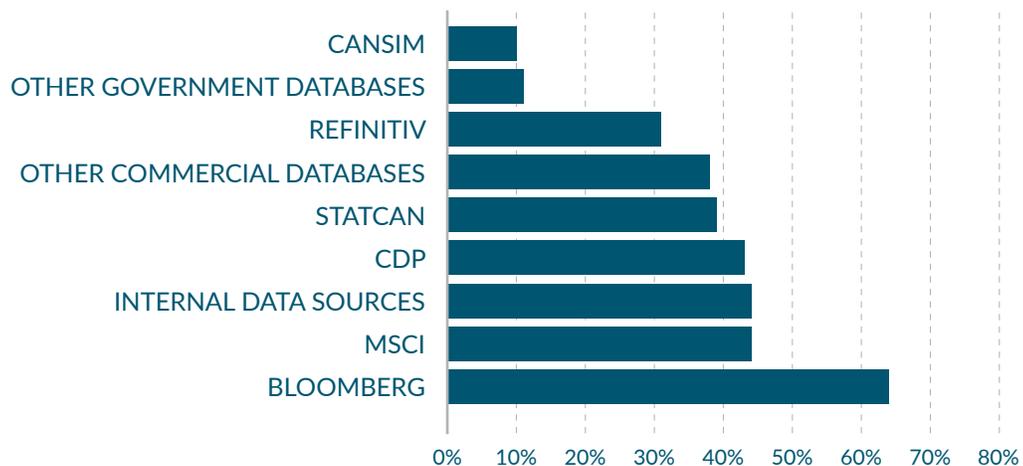
## Q2: What sources of data do you use?

Data is available everywhere, including in public and private repositories, for free and at significant cost. The various sustainability data sources used by respondents are shown in Figure 4 below. Bloomberg was mentioned as the most frequent source of sustainability data. This is unsurprising as Bloomberg is the industry standard supplier of financial information and an aggregator of sustainability data. Morgan Stanley Capital International (MSCI) and internal data sources were tied as the second most used data source, followed closely by CDP (formerly the Carbon Disclosure Project).

Roughly, 48% of respondents working in the private sector, 45% of respondents working in academia, and 43% of respondents overall reported using CDP data. This is significant as CDP is a leading provider of firm-reported emissions data, including forward-looking data such as climate targets and scenario analyses, and CDP is the sustainability data provider that has been operating the longest with data available from 2001 to present. Clearly the potential value of this data is well understood by researchers, who are working with what data is available in spite of current deficiencies.

FIGURE 4

### Sources Used by Respondents



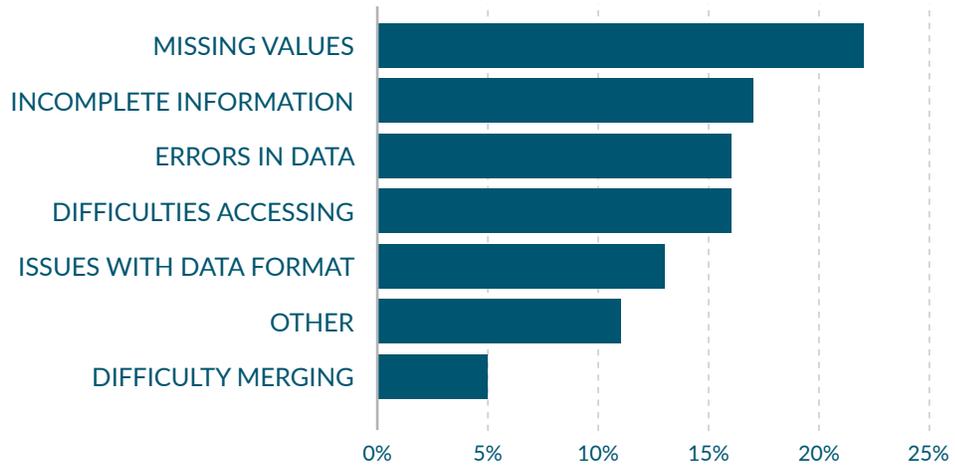
While commercial databases dominate the data landscape, free data available from statistical agencies is also used. It is interesting to note that this free data is used less than the expensive commercial solutions, suggesting that there is room to improve the quality and/or coverage of public data.

## Q3: What issues do you experience with existing sustainability data sources in order of priority?

The general question of satisfaction with sustainability data doesn't address how that data can be improved and what should be improved first. Respondents were asked to rank issues from most to least important. The top ranked answer, "Missing values" was selected by more than 20% of respondents. More than one third of respondents ranked "Missing Values" or "Incomplete Information" as their most pressing issue experienced when working with sustainability data. More than, 85% of respondents ranked one of the above amongst their top 3 issues. The top ranked issues with sustainability data are shown in Figure 5.

**FIGURE 5**

### Top Ranked Issues with Sustainability Data



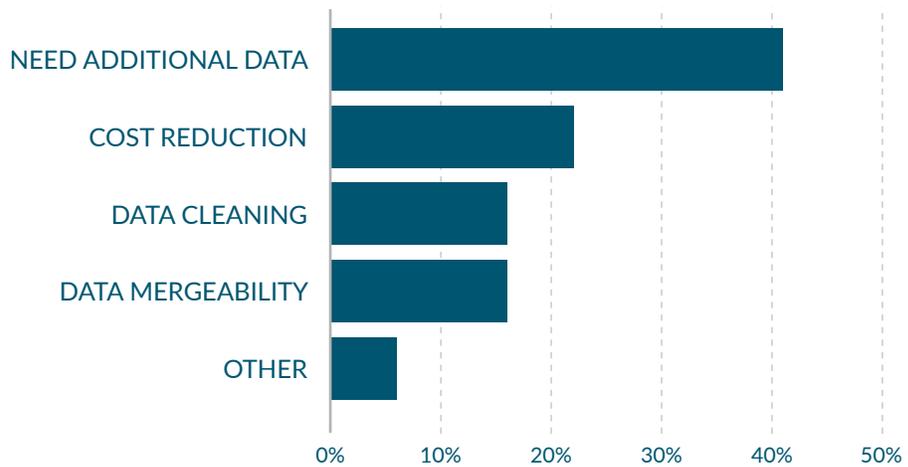
While missing, incomplete, and errors in data top the list, difficulties accessing and using the data were also listed by a significant number of respondents as their top issue. Clearly, there are multiple areas in which sustainability data can be improved.

### Q4: What are your key sustainability data needs in order of priority?

The previous questions focused on issues with data now, Question 4 focuses on the future. Respondents were asked to rank their sustainability needs from most to least important. Respondents' data needs were similar. A whopping 41% selected "need additional data" as a top priority when ranking their key sustainability data needs. All other options (including data cleaning, lowering cost of data, and data mergeability) trailed quite far behind, as seen in Figure 6 below.

**FIGURE 6**

### Highest Priority Sustainability Data Needs



This should be taken as clear evidence that more data and higher quality data is in demand. Both private and public data providers should take note.

## Q5: Please provide any other comments about sustainability data issues.

The final question was geared to elicit comments on issues that were not addressed directly in the survey. Several respondents questioned the reliability of voluntarily reported, unaudited data. One respondent suggested that:

“The fundamental challenge is having standard, agreed-to and understood definitions. For example, a consistent approach to GHG measurement or how cross-border and equivalency issues are handled.”

Others expressed their frustrations with the lack of transparency. One respondent commented that firm-reported sustainability data is often:

“...inconsistent, lagging or even often missing.”

They noted that important numerical data such as emissions are commonly omitted. Another commented that

“Methodologies changing regularly means few long-term data sources.”

Researchers using data to answer specific questions are often forced to use proxies or imperfect workarounds, reducing the potential value of analysis.

There's a major disparity between commitments made by firms and the level of action taken. While 29 of the 30 largest publicly traded financial companies have publicly pledged to reach carbon neutrality, only 11 have set reliable targets.<sup>1</sup> Pressure on these firms will be greatly increased with proper data standards in place. Consistent and sound data collection must be developed, standards established, and key statistics or indicators identified in order to properly assess progress of firms. This infrastructure, once in place, will help incentivize firms to take their commitments more seriously and set accordingly realistic targets.

## CONCLUSION

This survey makes clear that sustainability data is not currently meeting the demands of the market. Missing values and incomplete information are indicated to be the top issues with sustainability data, while additional data is listed as a top priority. The need for firms to disclose their data is becoming increasingly dire, and pressure experienced by firms will continue to build until they do so. The benefits to disclosing data are also becoming increasingly clear and can serve as motivation.

The sustainability data world has come a long way and that should be celebrated. However, the industry, regulators, and government still have a lot of work to do and we hope the trend of greater disclosure and data availability continues for years to come.

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<sup>1</sup> Source: Influence Map, “Finance and Climate Change”, March 2022.