Commission on Sustainability Data
Minutes of Friday 8 December 2023, 10.30am-12.30pm Meeting
Mawby Room, Kellogg College Oxford

Present: Prof Jonathan Michie (Chair), Prof Jim Davies, Dr Nigel Mehdi, Dr Ana Nacvalovaite, Mr Ian Robertson, Prof Niki Trigoni, Dr Bryn Roberts (by zoom)

In attendance: Mr Anders Knox (Strategic Partner Director, Avalara), Ms Alice Evatt (Kellogg College Net Zero Fellow), Mr Gary Walker (Kellogg College Finance Bursar), Mr Mazi Zarrehparvar (Centre for Mutual & Co-owned Business), Prof Karthik Ramanna (Blavatnik School of Government, E-liability Institute – for agenda item 3), Jeannette Soris (UL Solutions), Christine Duque (IBM), Troels Borrild (Akademiker Pension), Charlie Maeng (Sky News, Seoul), JongKeun Jang (Hanwha Investment & Securities), Mr Alex Hoeffler (Alumni Relations & Events Executive, taking minutes).

Apologies: Dr Stuart Jenkins (Kellogg College Net Zero Fellow)

1. **Welcome and Introduction**

The Chair welcomed everyone to the meeting and introduced the attendees to the Commissioners. All were notified that the meeting was being recorded.

The Chair recapped that the purpose of the Commission is to explore the scope for improved sustainability reporting via the transactional data generated by the software that controls operational activities. The Commission will consider the confidential nature of this proprietary data and propose further actions and projects that may enable the data to be used without undermining any company's commercial confidentiality.

The Chair reported on the previous day's joint meeting of the Commission's 'Finance Working Group' and 'Software and Operations Working Group'. Mazi Zarrehparvar, the Finance Working Group Convenor, highlighted the key issues of the unreliability of existing data and the methods for accessing it. The meeting had involved software and finance companies, with participants including asset managers, risk managers, and sovereign wealth funds. IBM and SAP represented the software sector. The software companies expressed a desire to leverage their data more effectively, while the investment side sought improved access to data. In order to test the scope of identifying and accessing transferable and verifiable data, it was proposed to undertake a case study.

2. **Updates Since the last Commission Meeting**

Anders Knox, the Convenor of the Software and Operations Working Group, reported that he had met with the CEO of a company who had agreed to have their data broken down into datasets. Jeannette Soris explained the role of the company she works for, UL Solutions, in testing and verifying various products, including those in major retailers like Walmart. Jeannette highlighted UL's unique approach, giving them full access to test and verify the complete supply chain. UL's customers are increasingly interested in scope 3 emissions, and Jeannette emphasized the importance of data quality and the scientific basis behind recording all aspects.

The Commission discussed a number of issues:
   i.   The Chair raised a question about why companies choose UL Solutions over others, to which Jeannette responded that UL Solution's deep relationships with supply chains set them apart, providing a unique perspective not readily available to companies. Anders suggested capitalizing on UL's efficiency in sustainability.

ii.   UL Solutions' connections with the Chinese government and the potential for climate litigation was noted. The Commission considered the suggestion of attaching an emissions safety marker to each product, creating a ranking based on emissions intensity. The Commission recognised concerns about how realistic establishing such a scoring system would be, noting the complexity at the product level. Whilst Scope 1 and 2 data requirements are easily available, Scope 3 data requirements are more challenging.

iii.   A "carbon take back obligation" was considered, where companies extracting fossil fuels would be required to remove carbon from the atmosphere. There could be scope to benchmark companies against each other to create a sense of urgency. The Commission agreed that it would be important to ensure that data could not be faked.

iv.   The Commission discussed the need to consider context in data interpretation, with a prior effort to analyse Unilever's supply chain discussed as an example. A further example of UK NHS data on surgeons' performance was provided, highlighting that a particular 'score' could reflect the difficulty of cases handled (allocated) more than just simple relative performance. It is preferable to utilise and unlock existing data instead of starting over, and to ensure and demonstrate data transparency throughout. The concept of Environmental, Social and Governance (ESG) issues was considered, and how the weighing of different metrics against each other could be beneficial. Any scoring system should consider a full life cycle process for scoring products, although this would have complexities. (The Chair noted the presentation from Prof Karthik Ramanna later in the meeting would address this matter).

v.   The Chair reminded the meeting of the Commission's goal of standardizing data sets across many millions of companies. The Commissioners discussed the need for a 'level playing field', with standardized metrics, recognising the demand for raw data and the challenge of creating a system for accurate and consistent data capture. There could be a role for government or regulatory labels or certifications.

vi.   The need for government involvement to hold companies accountable was considered including companies' fiduciary duty and the potential for carbon taxes. There is scope for a carbon credit system for positive impacts. The Chair highlighted the business incentive for companies to be first movers, which would be facilitated if the process were easier for small and medium companies.

vii.   The Commissioners considered concerns about power imbalances and the role of large companies, including the potential for tax evasion. Government regulation and a standardized approach would help mitigate these concerns. There could be further challenges with data at prototype stages, and also with non-publicly traded companies.

viii.   The Commissioners heard that businesses may not readily come together just for social benefits, and the voluntary nature of aiming for COP targets was discussed. There could be scope for tax relief to incentivise companies.

ix.   The Chair asked whether it might be possible to estimate the true costs of standardising, collecting and auditing operational data, and the Commissioners discussed the sums involved currently, despite the data being regarded as inaccurate and unreliable. The cost of field engineers verifying data was considered as prohibitively high.

x.   The Commissioners recognised that the scale of the issue is substantial and that focusing on a single business, using just scope 1 and 2 data requirements would be a useful starting point for a case study. The Chair suggested focusing on recognizable, auditable, and standardized data for companies to report, supported by a data dictionary system.

3.   E-liability Institute – A simple approach to accurate and reliable carbon accounting

The Commissioners received a presentation from Prof Karthik Ramanna from the Blavatnik School of Government on his E-liability Institute. Prof Ramanna emphasized the overarching problem the E-

Liability Institute aimed to address in establishing a common standard of carbon reporting, including supply chain transparency. Prof Ramanna highlighted the difficulty in obtaining visibility beyond Tier 1 suppliers, emphasizing the prevalent guesswork associated with tracking Tier 2, 3, and 4 suppliers.

In drawing parallels with financial accounting and the development of international GAAP Accounting Standards, Prof Ramanna underscored the potential insights that understanding GAAP mechanisms could provide into sustainable finance practices. Additionally, he stressed the importance of Scope 1 emissions, asserting that addressing Scope 1 and 2 issues could be achieved through robust accounting practices. The discussion also touched upon the often-overlooked Scope 3 audits by large firms, with Prof Ramanna emphasizing the pivotal role of measuring and tokenizing all direct emissions as a critical first step, citing recent advances facilitated by tokenization. Notably, Prof Ramanna highlighted the introduction of a "green token" by SAP as a significant development in blockchain, offering potential social benefits.

Prof Ramanna reported on the Francois Tyre case, illustrating the positive impact of collaboration in gathering data from suppliers. Encouraging the breakdown of the problem into manageable sub-routines, and emphasizing the importance of addressing waste disposal and contemplating sociological shifts in consumer behaviour. Prof Ramanna advocated for market-driven solutions, urging the implementation of a comprehensive accounting system to avoid double-counting.

In response to follow-up questions, Prof Ramanna addressed data collection and tokenization methods, liability concerns, and the potential expansion of the initiative to include social liability and metrics. Prof Ramanna reported on the involvement of companies like Unilever and SAP, along with audit firms and the e-liability institute, in data collection efforts. Furthermore, Prof Ramanna outlined specific measures such as meters on smokestacks and emission factors, while discussing the complex issue of liability and suggesting SAP's role as a central bank in token valuation. Challenges posed by blockchain solutions, particularly the EY solution, were also acknowledged.

The session concluded with Prof Ramanna reiterating the need for better accounting practices in environmental measurement. Additional points stressed by the Chair included the significance of auditable basic operational data for companies. Looking ahead, the discussion emphasized the need for credible net-zero plans, with Prof Ramanna proposing a parallel set of environmental accounts and perpetual life trusts as potential solutions, leveraging existing technology in the financial ecosystem. Questions were raised about factoring in environmental accidents, and the financial aspects of storage capacity were discussed, with uncertainties about the entities that would bear the associated costs. Prof Ramanna declared addressing the outlined challenges as a top priority and expressed a desire for collaboration, highlighting the involvement of McKinsey, who provided free consulting for seven months due to the perceived importance of the initiative. The Commission thanked Prof Ramanna for the presentation and discussion.

4. Next Steps

The Chair summarised the key outputs from the meeting and asked the Commissioners to consider and prepare for a draft ideas paper for the Commission. The two Working Groups would consider matters in greater detail and report back to the Commission.

The Commission discussed and agreed on the following work plan:
- Publish a report within the next 12 months, most likely in July or August 2024. This report will have three main goals:
  - o Identify the problems and potential solutions.
  - o Present a research and implementation plan for moving forward.

- - Report on consultations, interviews, Commission discussions, and conclusions.
  - A schedule of future meetings as follows:
    - February or March 2024: Review additional evidence and an outline of the report. Hear a presentation on the University of Oxford's Net Zero work from Stuart Jenkins and Alice Evatt.
    - April 2024: Review further evidence, hear a report on progress in conducting a case study, and discuss a draft report.
    - June 2024: Review further evidence, hear a report from the Global Finance Alliance for Net Zero (GFANZ) and finalise the report.
  - After the report is published in the summer 2024, seek funding for the next phase of research and implementation.
  - Avalara has pledged $100,000 for funding, which will cover the expenses of a Commission Administrator and other necessary costs for completing the outlined work plan.
  - The Commission also discussed the possibility of seeking additional funding for more ambitious research on sustainability data. This could include:
    - Establishing multiple Working Groups and an International Advisory Board
    - Hiring a Research Officer
    - Organising expert discussion groups
    - Advancing the "next stage of research and implementation" as previously described

5. Date of Next Meeting
February or March 2024, to be confirmed by circulation.

6. Any Other Business
PowerPoint presentation by Prof Karthik Ramanna would be circulated with the minutes.