

UKRI Research “Financially redesigning the Anthropocene: Investigating tools, data, and practices for climate risks and targets”

# Research snapshot: Metrics usage

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# Imperfections of climate-related metrics and inaccuracies of GHG data

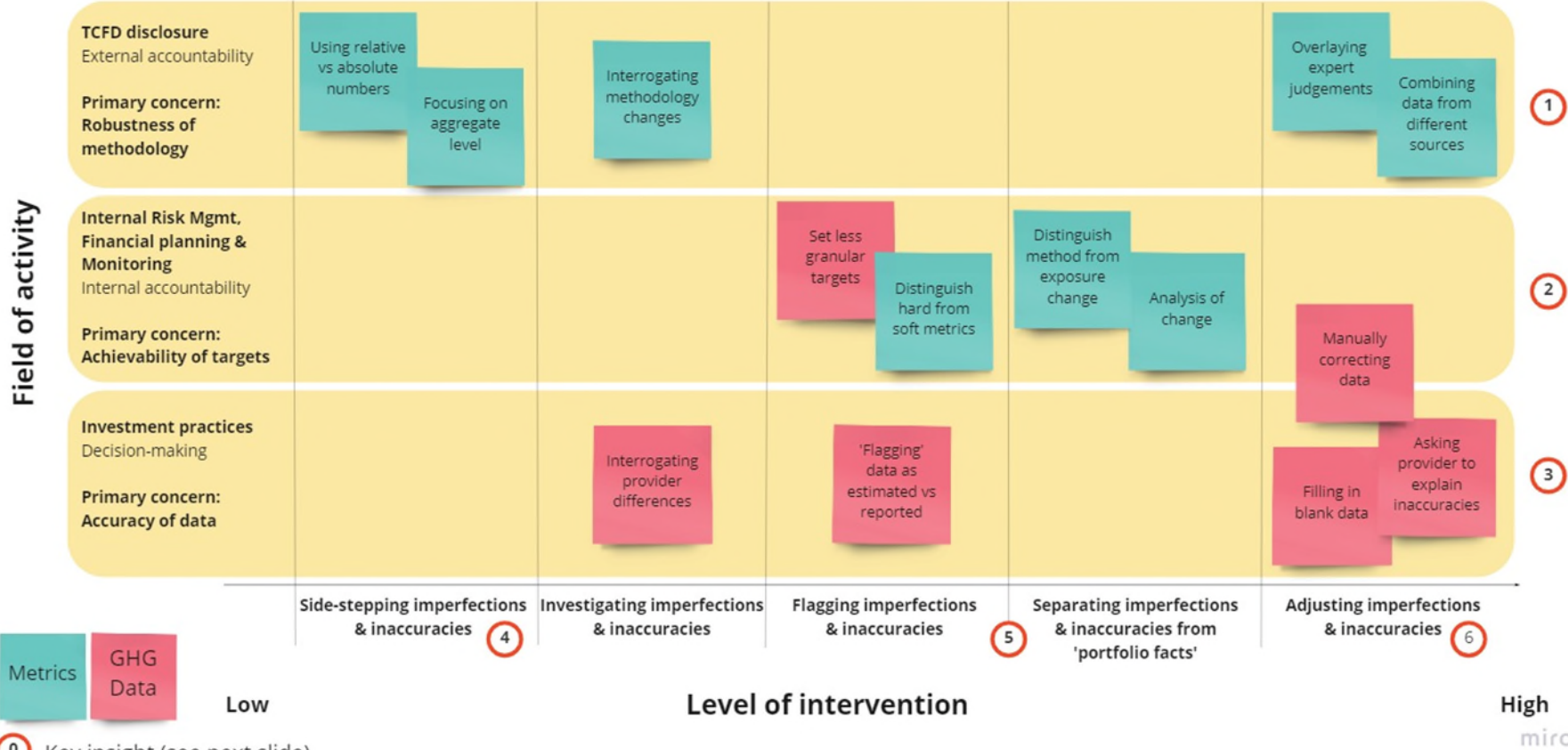
- The CFRF Guide 2021<sup>1)</sup> notes “the ***evolving nature*** of climate data, analytics and emerging practice.”
- The TCFD consultation on metrics<sup>2)</sup> notes
  - “challenges using and disclosing the metrics, [with participants...] particularly concerned with reliance on assumptions [...] and opaque or difficult methodologies.” → concerns about ***imperfections in methodology***
  - “Many also noted the challenges around [GHG data] including inconsistent reporting and difficulty in accurate measurement.” → concerns about ***inaccuracies in GHG data***

How do financial institutions work with imperfections in methodology and inaccuracies in GHG data?

<sup>1)</sup> Climate Financial Risk Forum (CFRF), *Climate Data and Metrics*, October 2021

<sup>2)</sup> TCFD, *Summary of Forward-Looking Financial Metrics Consultation*, March 2021

# Case study<sup>3</sup> of an FI's strategies for dealing with imperfections of climate-related metrics and inaccuracies of GHG data



# Key Insights

Three fields of activity with different primary concerns. Five ways of dealing with imperfections and inaccuracies that vary in terms of the level of intervention.

- ① Independent of whether TCFD provides the climate-related information desired by policy makers, **TCFD does provoke FIs to work with the evolving metrics and methodologies.**
- ② **Internally**, strategies for dealing with imperfections and inaccuracies **articulate limits of accountability for achieving targets.**
- ③ Targets for investments, mostly carbon emissions-related, **provoke dealing with inaccuracies in GHG data.**
- ④ **Side-stepping imperfections and inaccuracies** is a strategy used **primarily in disclosure.**
- ⑤ **Flagging and separating imperfections and inaccuracies** is mostly **done internally**, not externally.
- ⑥ **Adjusting imperfections and inaccuracies** is currently being used in all three fields of activity.