

# Disclosure Delight

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Insight Briefing #4



## Disclosure Delight

Urgentem has released its new 2021 Carbon Dataset with a record number of companies analysed over the past year! Congratulations to our Data Team for the great work.

But this is not the only good news. We are also delighted to highlight some very important and positive trends within our Emissions Dataset regarding improving disclosure rates. In fact, our Data Team reports there has been an unprecedented rise in climate disclosure rates among companies directly analysed by Urgentem globally, in this latest reporting year, covering not only Scope 1 & 2, but also Scope 3 emissions.

However, there are sector and regional variations in disclosure rates, as one would expect. We note that some unexpected sectors are leading the way, while disappointing disclosure rates are coming from other surprising areas.

### **Increased Public Disclosure**

Overall, our analysis of the major global investable universe found that there was a 15% increase in public disclosure of climate data by corporates. Even more encouraging is the fact this improvement has been led by companies providing complete public disclosure for the first time.

Companies achieving Urgentem's top disclosure quality rating (full and complete public disclosure covering 95% of a company's operation with third party assurance) jumped by over 40% in the last reporting year. This includes not only companies improving their public reporting to gain our top disclosure quality rating, but also companies reporting publicly for the first time.

# 40%

*Increase in companies achieving Urgentem's top disclosure quality rating (Full and complete public disclosure covering 95% of a company's operations with third party assurance).*

The progress on emissions disclosure is an important development, not just for regulatory requirements but for companies' own reputations and investors relations. Indeed, we note

increasing emphasis being placed on disclosure quality by investors. Recent announcements by several institutional investors declaring increased scrutiny of climate disclosures as a condition of investment is a good example of how seriously investors are taking climate data disclosure.

## **Reverse Gear for Small Minority**

Unfortunately, a very small minority of companies seem to have found reverse gear. Over the past year 3.6% of companies within our directly analysed universe failed to report a complete set of emissions data for Scope 1 & 2, despite providing full and complete disclosure in the previous year. Whether this be intentional or for reasons beyond their control (Covid-19 disruption), this is disappointing and also leaves these companies in a potentially awkward position with their shareholders.

# 3.6%

*Of companies within our directly analysed universe failed to report a complete set of Scope 1 & 2 emissions data, despite providing full and complete disclosure in the previous year.*

Overall, we have been encouraged by the progress we have found within our directly analysed universe on corporate climate disclosure globally, but obviously there are variations regionally and among sectors.

## **Sector Variations**

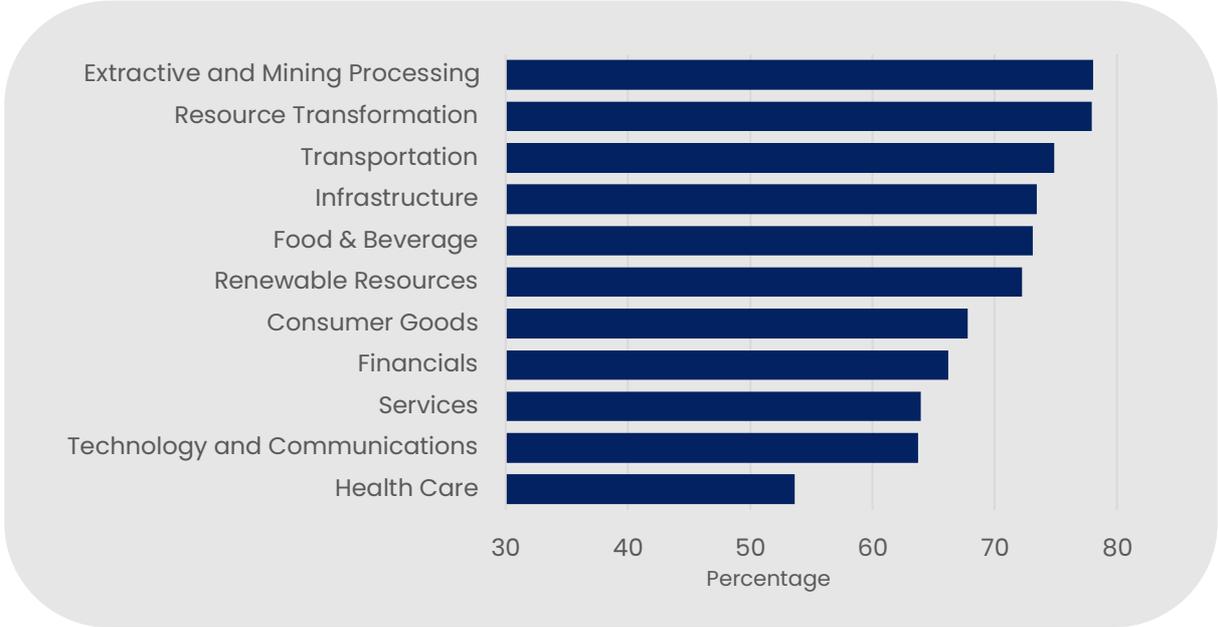
On a sector basis, it is interesting that sectors generally associated with high emissions are again leading the way with public emissions disclosure. Our analysis found the extractives and minerals processing sector at the top of the pile with around 78% of the companies analysed by Urgentem providing at least some public emissions disclosure, followed by the Resource Transformation and Transportation sectors with 77.9% and 77.4% of companies respectively providing at least some level of emissions disclosure. A sign of increasing regulatory and even shareholder pressure in these sectors, perhaps in the run up to COP 26? (See Figure 1 on the next page).

Even when it comes to full public disclosure of Scope 1 and 2 emissions, again we found the Extractives and Mineral Processing, Resource Transformation and Transportations sectors are leading the way. Within the Urgentem directly analysed universe all three of these

sectors have just over 60% of companies which publicly report, disclosing a full set of Scope 1 and 2 emissions data. (See Figure 2 on the next page).

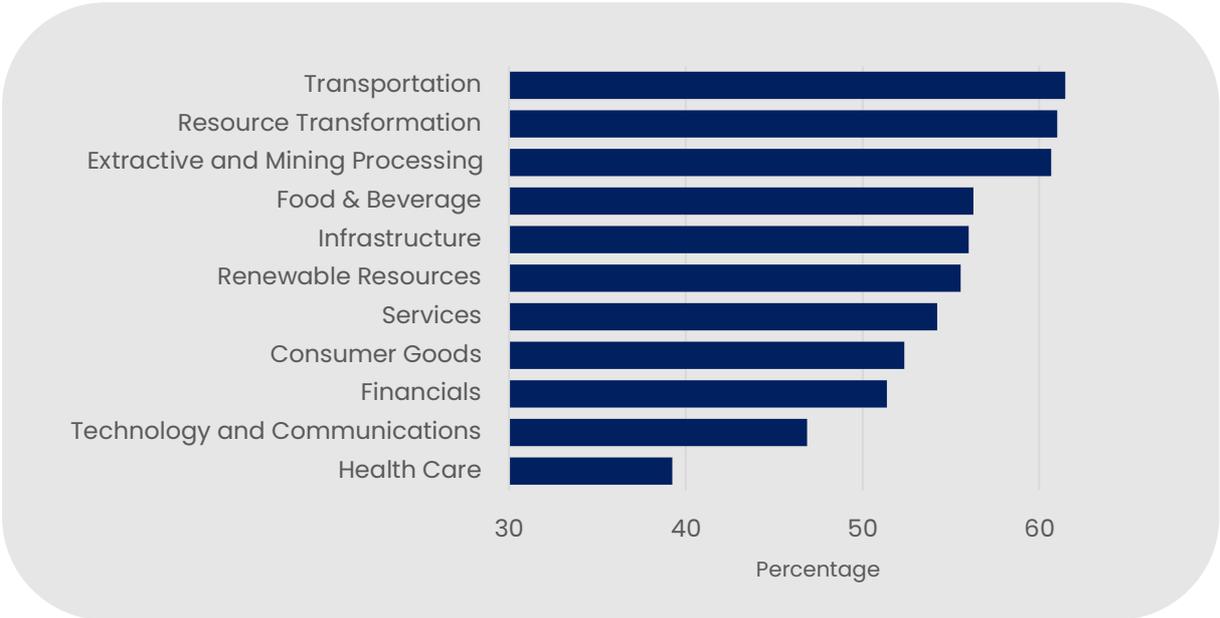
At the other end of the scale, it is the Health Care sector lagging, with only 53.7% of companies within the Urgentem directly analysed universe making at least some sort of public disclosure regarding emissions in the last reporting year. Following close behind are the Technology and Communications and Services sectors, with only 63.7% and 63.9% of companies respectively making a public climate disclosure. And when it comes to making full and complete Scope 1 and 2 public disclosures to achieve Urgentem’s top disclosure quality rating, the Health Care sector once again lags, with only 39.2% of reporting companies within the Urgentem directly analysed universe hitting the mark. The Services sector also ranks among the laggards when it comes to completeness of data. Interestingly, the Financials sector joins this group. Among Financial companies that publicly disclosed at least some emissions data, only 51.4% within the Urgentem directly analysed universe made a complete and full Scope 1 & 2 disclosure.

**Figure 1: Percentage of companies reporting emissions by Sector**



Source : Urgentem

**Figure 2: Percentage of companies reporting complete Scope 1 & 2 emissions by Sector**



Source : Urgentem

**Regional Variations**

Looking at disclosure rates from a country and regional perspective also gives cause for celebration. Across the major regions we are able to report a significant increase in emissions disclosure among the Urgentem directly analysed universe. Again, disclosure of Scope 1 & 2 as well as Scope 3 emissions have gathered pace in all regions and major countries we analyse globally.

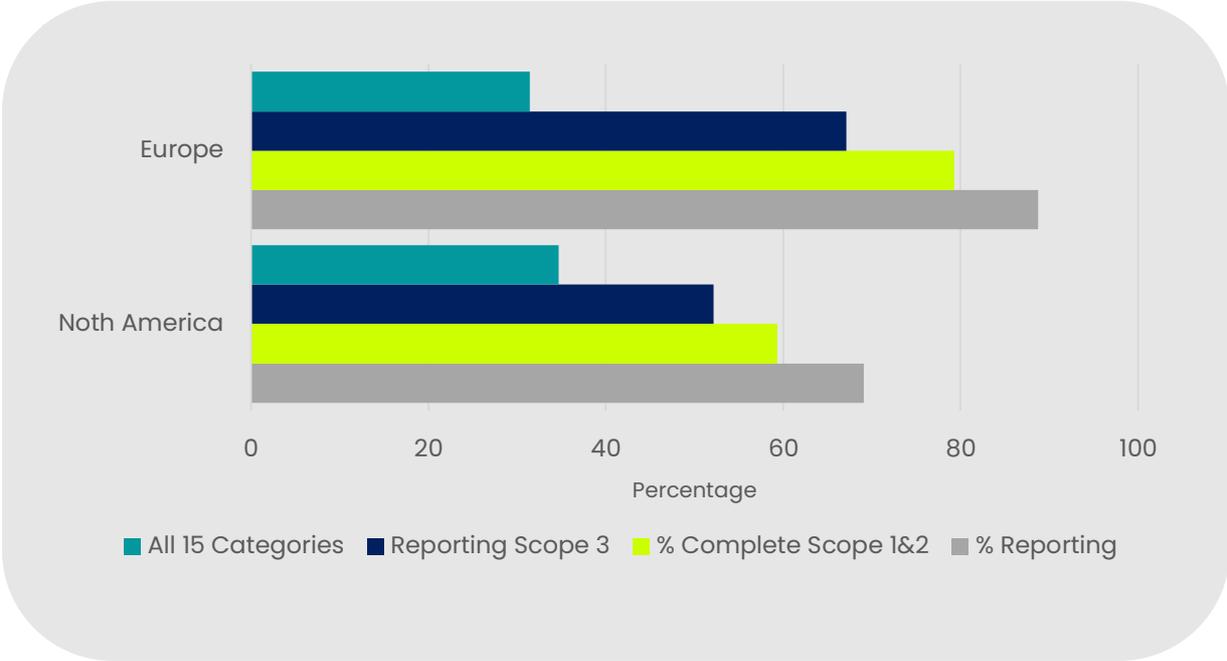
Of note, is the improvement in reporting by US corporates which seem to be gaining momentum, according to our analysis, despite the introduction of climate reporting legislation running behind many other regions. But when it comes to providing complete publicly reported emissions data, the US still has some ground to make up compared to Europe, which continues to stand out as a leader when it comes to emissions disclosure (See Figure 3 on the next page).

For North America overall, 69.07% of companies analysed by Urgentem reported at least some Scope 1 & 2 emissions data, of which an encouraging 85.91% publicly disclosed full and complete emissions data for Scope 1 & 2.

Europe is still setting the pace when it comes to corporate emissions disclosure and reporting. The number of companies publicly reporting at least some emissions data now

represent 88.75% of Urgentem’s directly analysed European universe. Of those reporting, 89.35% are also providing full and complete Scope 1 & 2 disclosure in Europe.

**Figure 3: Percentage of companies reporting Scope 1, 2 and 3 emissions by completeness across Europe and North America**



Source : Urgentem

**Scope 3 Disclosure Increase**

Scope 3 disclosure, an area close to our hearts at Urgentem, is also positively surprising us with broad based progress being recorded over the past year. Our analysis shows that not only are more companies within the Urgentem directly analysed universe disclosing at least one category of Scope 3, but the average number of categories being disclosed are also increasing.

We can report that 44% of all companies we track in our global universe of major investable companies reported at least one category of Scope 3 emissions, with that rising to 63.2% of companies that reported at least some Scope 1 & 2 data. However, when it comes to reporting all 15 categories of Scope 3 emissions, there is a very wide divergence between sectors. Leading the way is the Renewable Resources sector with 55% of companies that reported at least 1 category of Scope 3 disclosing emissions across all 15 categories. This is followed by the Food and Beverage and Infrastructure sectors, with 41% and 39% respectively (See Figures 4 & 5 on next page).

# 44%

*Of all companies Urgentem tracks in our global universe of major investable securities reported at least one category of Scope 3 emissions.*

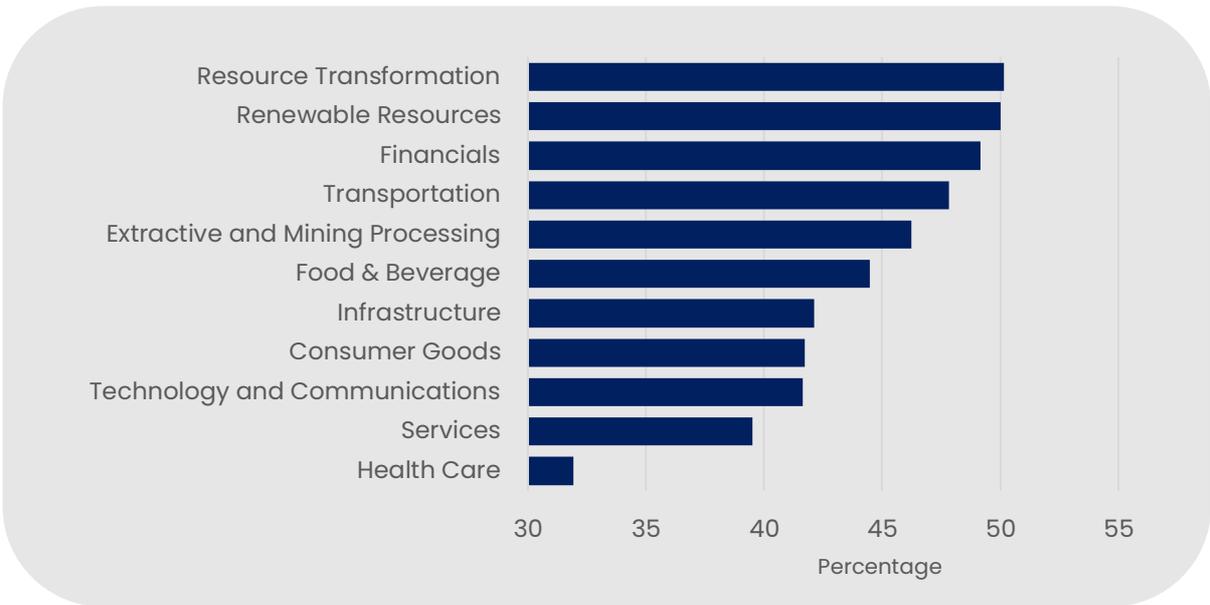
But it is at the other end of the scale, where the divergence in disclosure is most apparent, with the Financials sector standing out with less than 4% of companies – that disclose at least some Scope 3 emissions – publicly reporting all 15 categories, according to our analysis of the Urgentem directly analysed universe.

On a regional basis, Europe remains the front runner for Scope 3 disclosure with 67.15% of companies analysed by Urgentem reporting at least one category of Scope 3 emissions (See Figure 3 on previous page). However, when it comes to providing the full supply and value chain emissions profile, only 31.45% of Europe companies that report at least one category of Scope 3 disclose all 15 categories.

# 10

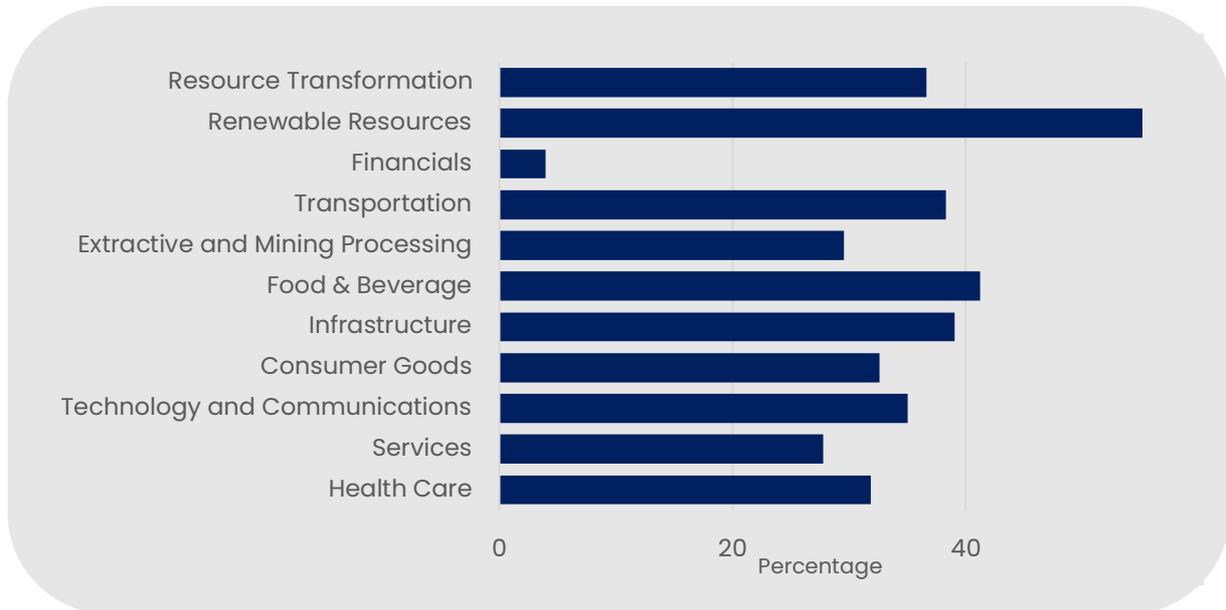
*On average European companies report 10 categories of Scope 3, of the companies we analyse.*

**Figure 4: Percentage of companies reporting at least one category of Scope 3 emissions by Sector**



Source : Urgentem

**Figure 5: Percentage of companies reporting all 15 categories of Scope 3 emissions by Sector (Of companies that report at least one category of Scope 3 emissions).**



Source : Urgentem

**Conclusion - Cost of Non-Disclosure**

Discussions with our customers confirms the trends we found in disclosure quality and how investors and lenders are placing increased emphasis on these factors within decision making frameworks. Asset owner/managers’ willingness or even ability to maintain holdings in companies with poor climate disclosure policies is likely to be increasingly challenged, driven not just by regulation but also by shareholder/stakeholder and consumer pressure.



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