

Sustainability TechSprint 2021: TechSprint Demos

Thursday, 21 October 2021

North Star

Presenter: Mark Davis

Judges: Francesca Hopwood Road (Chair)

- Bruce Harrison; Managing Director, BlackRock
- Elena Strbac; Global Head, Data Innovation, Standard Chartered
- Emily Keaney; Director of Legislative Reform, Information Commissioner's Office
- Emily Pierce; Assistant Director, International Affairs, U.S. Securities and Exchange Commission
- Jayne Wickins; UK Banking Director, Microsoft
- Stephen Ingledew; FinTech Scotland Executive Chair
- Satoshi Ikeda; Chief Sustainable Finance Officer, Japan Financial Services Agency

Mark Davis

Thank you very much Francesca and I can confirm, Mark Davis from North Star and I am very proud to present today's presentation. We focused on the problem statement for use case three, which is related to net zero targets and it's something that we see every day in our lives. Net zero targets are making daily headlines. But we also experienced that trust is in short supply there's a lot of scepticism whether individual firms can hit these targets. So we focused on a few key points in the brief highlighted in green, which I suspect is difficult to see, and we will talk around some of those aspects now, next slide please.

So our solution is North Star. North Star measures the appropriateness of a firm's net zero targets and we do that by comparing the organization to their peer community both geographically and within sectors. Next, we also measure the credibility of a firm's net zero targets, and we do that by looking at the firm's own scope one, two and three that have been reported, and comparing that to the targets that they're setting. Next, and finally, we measure feasibility. So how feasible are the plans that the firm has put in place, and what strategies do they have to deliver on their net zero targets? Next slide please. So this week our approach has combined four key components. The first of those is data collection. Collecting scope one, two and three greenhouse gas emissions, collecting targets from firms, and also some information on the transition pathway initiatives, sector targets as well. So the second thing that we've spent time on is related to data science and pulling together some average data points. The third area that we've spent time on is some qualitative modelling around trying to bring up that feasibility component within the solution. And finally, is obviously the application development which we are going to show you now with a quick demonstration. So next slide and video please.

Plays demo

Okay so our video starts by looking at a company, an individual company record in this case which is anonymized. So, we have called it 'UK utility' company. Actually it's a real life company with real life data sitting behind it. From the screen we can also move to other company records as well, but we will come back to 'UK utility' company for the

demonstration. The first chart, top left-hand side, shows us the greenhouse gas emissions scope one, two, three for that organization over multiple years but also the dotted line shows the sector averages for the same data points. The chart below shows the targets that the organization has set but again the dotted line shows us the industry averages for that sector. And as the screen scrolls down, we come onto the feasibility components which we've based entirely on the TCFD guidance related to how the individual organizations can put in place the right structures to ensure that their targets can be achieved. There are four key pillars relation to this, there's governance, metrics, risk management, and strategy as the second component. So just to give some examples on what that means, we've built a scoring model that allows us to let us look at things like 'is there governance from a board oversight perspective', so do we have board oversight?; 'is remuneration linked to targets' and again we've scored every firm individually on that. And then finally is there independent assurance around this data as well. As we scroll back up on the right-hand side, you can see a small benchmark to demonstrate the scores that others in the same sector and geography have achieved on the same target feasibility scoring model. And then finally, I'm going to show you very quickly at when the video catches up, a sector view, where we've pulled in the transition pathway initiative sector scores, and we've overlaid the average industry data for those individual sectors so that we can see how would that industry progress. Let's cut back to the slides please.

Stops Demo

In terms of next steps, there are many things that we can do at this point with the solution. The first would be automation technology to start to pull down more data points from unstructured data, and drive that to their feasibility scoring model. The second is to really engage with the regulatory community and to help refine our scoring model. Next slide please.

Our team met on Monday, everything you see in front of you has been achieved by the team during the course of this week. And finally, I was just going to say, last slide is questions. So, I started by saying that the trust is a key factor. We deliver trust through providing transparency. Thank you.

Francesca Hopwood-Road

Thank you very much, right straight to Emily Keaney please, with your first question. Emily have we got you? Okay whilst we're trying to queue up Emily, so maybe I will come to Bruce.

Bruce Harrison

Thanks, great presentation, I love the product and -

Mark Davis

Thanks Bruce.

Bruce Harrison

You talked about compatibles to industry peers, have you considered partnering with one of the market data providers who creates and maintains these industry classifications?

Mark Davis

Yeah, I think clearly, it's a really interesting space and the opportunities to partner would be, we think would be fascinating. So yes, we absolutely have discussed that as a team, and we'd be very open to a partnering strategy. Anything that can help to accelerate what we really want to do to really get back to the atomic data, the underlying individual

data points so that we can start to build trust on. So any way that can help us to get to that would be welcomed.

Francesca Hopwood-Road

Thank you, so Satoshi, your question, please.

Satoshi Ikeda

Alright well I would like to ask what difference would you provide from the incumbent data providers? I believe that they provide also some kind of similar analytics in the product

Mark Davis

I think that's absolutely right, certainly in terms of the scope one, two, three emissions data. I think that, broadly, information that's published in the public domain and therefore captured by many data providers is what we want to focus on - really, the point of differentiation is that is the concept of how feasible are the targets that the organisations are setting. We think that's relatively unique. The guidance from TCFD is very current, certainly in the last month or two that that's been published, and we think that that's a real point of differentiation in an area that maybe others haven't yet tackled. So that's a real one and the second would be simplicity. We want to simplify the message.

Francesca Hopwood-Road

Thank you very much team. Now given that we had a few minutes trying to find Emily, I'm going to come to Elena to ask a question.

Elena Strbac

Thank you. Somewhat just wanted to ask what advantages you see of using the scoring approach that you mentioned versus for example, a machine learning approach, and particularly, in regards to how objective you see the scoring approach as being.

Mark Davis

Early on as a qualitative scoring model, I think ultimately, until there's greater clarity on how firms need to report and until the definition around the data points and the delivery of those data points is really instructed and delivered in a structured way, and those data points are digitized, then there will always be a qualitative element to the scoring process, so I think any machine learning tool is going to struggle to necessarily to provide a better answer to the questions when the entry and the subjectivity of the data is still, you know, so different across different organisations.