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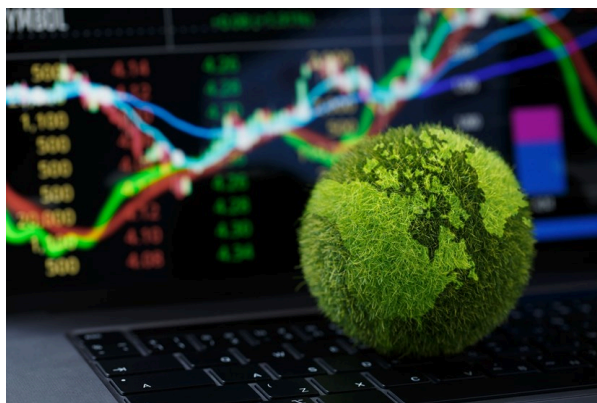
News

Turning raw data into meaningful ESG insight

Article by Josephine Chennell

Oct. 12, 2022

Gustav Martinsson, a Nordic Compass super-user and associate professor in financial economics, shares insights about how the Swedish House of Finance's ESG database can help you advance your research.



Gustav Martinsson has been an active user of the Nordic Compass ESG (*Environment, Social & Governance*) database for several years now. Not only has he drawn on data for his own studies on emissions, he has also integrated Nordic Compass as an essential research tool in his teaching process, to support research and project-work carried out by many of his students. Gustav now works closely with the Swedish House of Finance to further expand the scope and capabilities of Nordic Compass in order to make sure it meets the growing need for accessible, transparent, trustworthy and meaningful ESG data

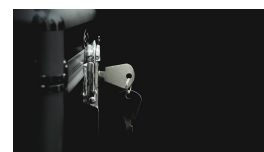
Gustav explains that every summer a group of Masters students from the



**Gustav
Martinsson**

Professor,
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Stockholm School of Economics and the Royal Institute of Technology meticulously scour the sustainability reports of more than 80 large and mid-sized companies registered at the Nasdaq-OMX Nordic stock-exchange, ranging in value between 150 million and one billion Euros.

The data, which is organized in a single panel, comprises more than 80 different ESG variables, expanded in 2019 to include 20 more in collaboration with the Nordic Investor Service, an independent corporate governance advisory firm based in Stockholm.

Mining deeper for more relevant ESG data

Having sifted through parts of Nordic Compass' collection of raw data, Gustav reveals that it contains some real gold nuggets for researchers who are keen to dig deeper. "The devil is in the details when it comes to understanding the ESG universe, and just looking at the raw data turned up by Nordic Compass in the last couple of years, we see that there is much to explore. To give you a taste of what is out there, I've looked at two specific ESG aspects across firms that are present during the full 2014 to 2020 period, divided in to eight industry sectors: one is gender representation, and the other is emissions."

Gender equality reporting:

Women still not in majority, but executive representation often matches proportion of employees

This graph depicts data from 2020, showing the proportion of female representation in the median firm in each of the eight sectors we've been observing at employee level, executive level and board level.

Here are some observations of interest for deeper exploration that I would like to highlight:

- Since we started measuring

More about Nordic Compass and how to access our ESG data sets

You will find more information about the Nordic Compass website [here](#).

Please note, that at present only academics linked to the

SWAMID

Federation can access Nordic Compass protected data-sets directly. Almost every Swedish University is part of the SWAMID federation, and can grant you the required log-in details if you don't already have them.

How to use Swedish House of Finance's ESG Database, Nordic Compass, Tutorial

gender equality across our eight key sectors in 2014, the proportion of female employees has in the time span until 2020 increased from 26% to 29%. So far, none of the eight sectors have attained a majority of women amongst its employees. Here it should be noted however that the observation of gender representation at executive level specifically, was introduced to the data-base first in 2018.

- Compared to the overall female gender representation of about 30%, the financial sector and health care sectors show a higher representation of 49% women amongst their employees.
- That said, looking at the Health Care sector in particular, only 67% of companies report on gender proportion. This is much lower than for other sectors (see column B, rows 4-13). The question is why?
- Another interesting observation is that the number of female employees per sector, whether gender equality is high or low, strongly correlates with number of female executives. This is true across all sectors. Looking at the number of female board members, however, we note that so far these neither correlate with the number of female executives, nor the employees.

GENDER REPRESENTATION PER SECTOR AND BOARD REPRESENTATION 2014-2020



NOTE: THE GRAPH DEPICTS THE SHARE OF FEMALE IN TOTAL (MEDIAN FIRM)
SOURCE: NORDIC COMPASS

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Emissions reporting:

Oil & Gas has improved reporting considerably, but still the worst emitters.

Scanning the data we've collected for how corporations report on emissions, I've taken a closer look at three categories in particular: scope 1 and 2 carbon emissions (rows 2-10); and scope 3 transportation emissions across sector and time (rows 12-19).

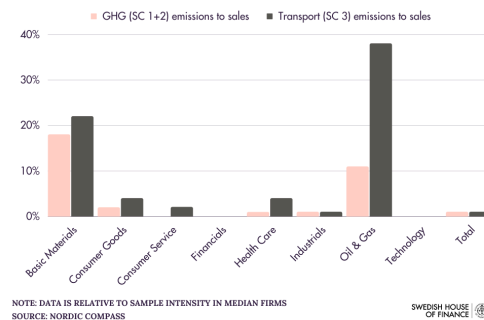
We see that reporting of emissions has risen considerably between 2014 and 2020. It's notable that the Oil & Gas sector has moved from the poorest reporter of scope 3 transportation emissions in 2014, at 11%, to a significant 88% of Oil & Gas companies reporting their emissions in 2020.

At the same time, the graph shows that a median-sized company in the Oil & Gas sector produces between 11 and 38 times more carbon emissions per turnover Euro than the stock exchange average.

Here I'd like to highlight that while companies in general have become considerably better at reporting their own corporate emissions, it is still very challenging to report the full environmental impact of a firms' broader activities, nationally and internationally. In other words, the scope 3 external environmental footprint is more difficult to track and measure as it often involves multiple players across multiple borders. Even so, it's important to recognize that these emissions are far more impactful than any corporations' own more limited operational footprint. This reporting dimension therefore requires far more granularity and transparency to help channel ESG investment towards

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impactful technology and infrastructure developments, making it a critical area for researchers to pursue.

GRAPH EMISSIONS REPORTING 2014-2020



Holding corporations' sustainability work to a higher standard

"At a time where temperature rises are causing climate havoc across many parts of the world, exacerbated by the energy challenges spawned by the ongoing Russian invasion of Ukraine, it has never been more important to hold the sustainability work of corporations to a higher standard," concluded Gustav. "We can only achieve that by getting to the heart of the data in order to enable the separation of meaningful sustainability work from greenwashing-like activities.

"If we get the ESG data right, I firmly believe it will be an important driver for accelerating the crucial economic and societal shifts we require in order to overcome the most pivotal sustainability challenges of our time," concluded Gustav Martinsson. "To that end, I hope we can inspire many more researchers across the Nordic countries to make use of Nordic Compass."

The data mentioned in this article

reference trends and developments for 2020. The latest drive to analyse corporate ESG reporting for 2021 was carried out in the course of June and July of 2022, and will be made available to academics and researchers at Nordic Universities as of October 2022.

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Swedish House of Finance |

Bertil Ohlins gata 4, 113 50 Stockholm |

info@houseoffinance.se | +46 8 736 91 00

