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# SCREENING FOR ESG CRITERIA IN LENDING TRANSACTIONS

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9 June 2023



## WITH YOU TODAY



**Marlies Gevaert**

Head of Partnerships

[marlies.gevaert@greenomy.io](mailto:marlies.gevaert@greenomy.io)



**Hartmut Schott**

Head of Business  
Development & Project  
Management

[hartmut.schott@schufa.de](mailto:hartmut.schott@schufa.de)



## AGENDA

1. Setting the scene: the boom in EU sustainable finance
2. Legislation drives the need for ESG data
3. SCHUFA Solution - Establishment of a central sustainability data platform for Germany

# TEAM MADE UP OF 65+ HIGHLY SKILLED SUSTAINABILITY & TECH EXPERTS LOCATED IN OVER 20 COUNTRIES

## ECOSYSTEM PARTNERS

We built a network of partners assisting clients in their ESG reporting journey



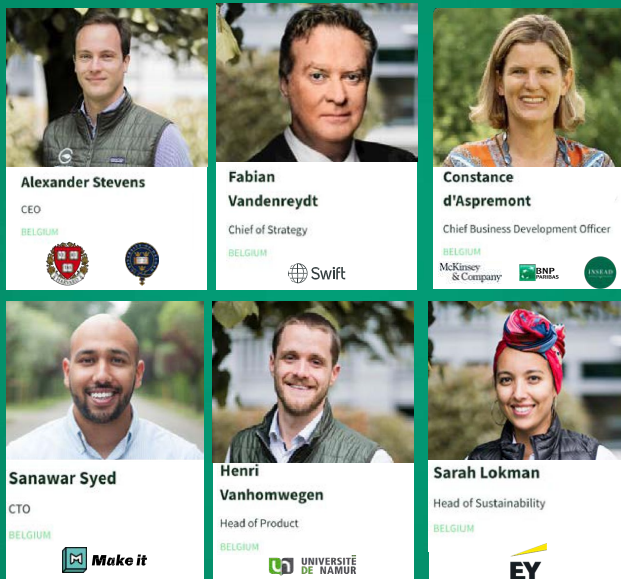
## ADVOCATING WITH

We are members of renowned industry initiatives within Europe and globally.



## REFERENCE CUSTOMERS

We are proudly providing services to 200+ customers across corporates, banks and funds



## AWARDS

We have been recognised internationally by multiple industry awards.



BACKED BY EUROCLEAR AS SHAREHOLDER



# **1. SETTING THE SCENE: THE BOOM IN EU SUSTAINABLE FINANCE**

# WHY IS SUSTAINABILITY REPORTING A STRATEGIC TOPIC?

## 1 LEGAL COMPLIANCE

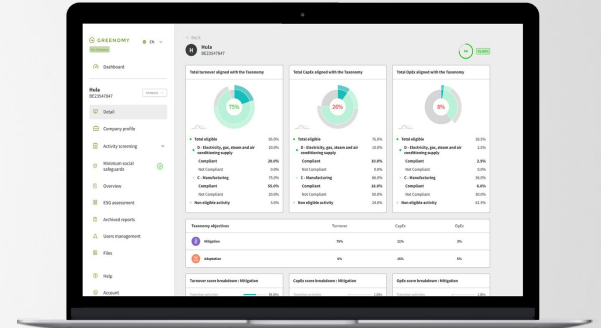
NFRD, CSRD, ESRS and EU Taxonomy regulations are progressively requiring financial institutions and companies to disclose their non-financial performance based on standard frameworks.

## 2 RISK ASSESSMENT

Banks and investors are already requesting ESG reporting from their portfolio companies. Those with a lower ESG score will suffer from higher cost of financing or no access to funding.

## 3 KEEP YOUR CUSTOMERS

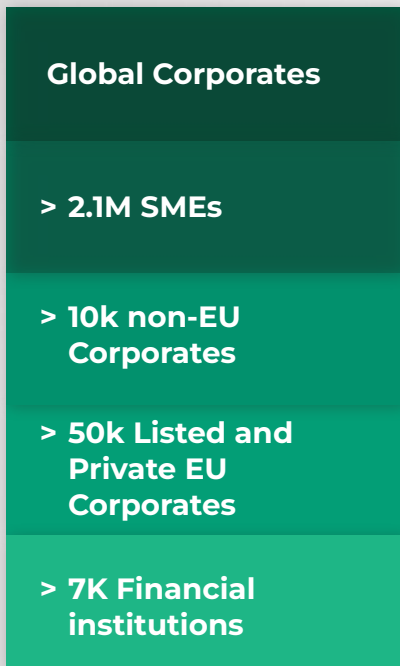
Customers are starting to request visibility on ESG scores and will change suppliers based ESG performance. Starting reporting exercises early provides sufficient time to improve score.



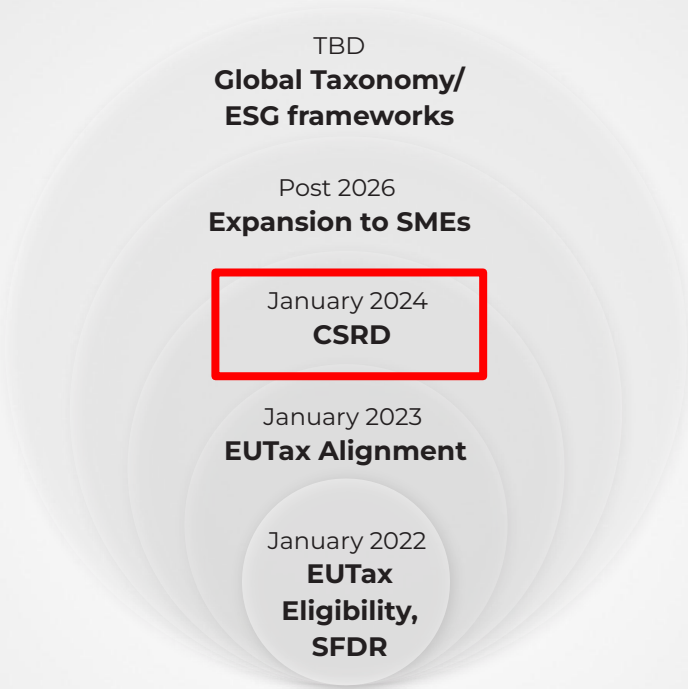


# Expansion of sustainable finance legislation in EU and globally

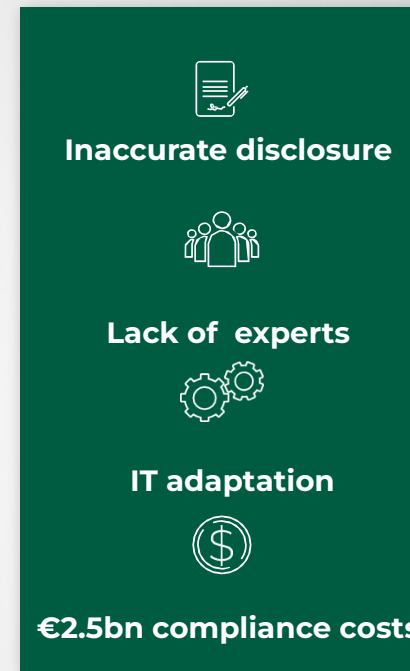
## MARKET SIZE



## EU SUSTAINABLE FINANCE RULES



## CHALLENGES



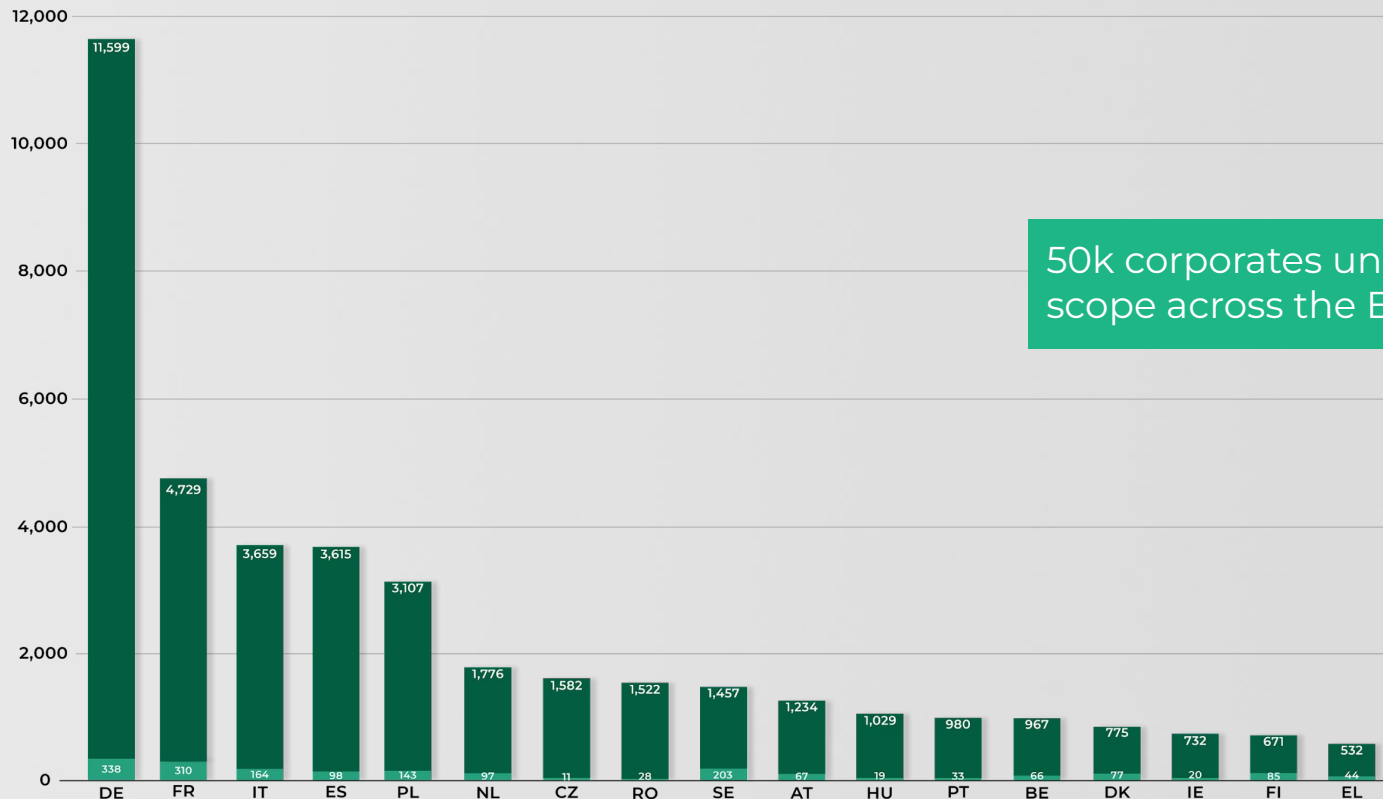
EU's new green reporting rules are 'impossible',  
businesses say

Companies including BMW, Telefónica and BP have criticised the bloc's classification system for sustainable investments

Only a handful of companies show  
they are ready for EU green rules

Majority of businesses could fail to provide sustainability as required

# HOW MANY COMPANIES PER COUNTRY ARE AFFECTED?



50k corporates under scope across the EU

Sources: CEPS (2020), Statista (2023)

# DOES THE EU TAXONOMY AFFECT YOU?

## FOR FINANCIAL INSTITUTIONS

Does the financial institution issue or distribute financial products within the EU?

YES

NO

**COMPLIANCE IS MANDATORY**

## FOR CORPORATIONS

Compliance under the **Non-Financial Reporting Directive (NFRD)**

Is the company listed?

YES

NO

Are there more than 500 employees?

YES

NO

Is the balance sheet €20M+? **OR** Is the net turnover €40M+?

YES

NO

**COMPLIANCE IS VOLUNTARY**

**Coming soon Jan 1, 2025:**  
Compliance under the **Corporate Sustainability Reporting Directive (CSRD)**\*

Is the company listed\*?

YES

NO

**PICK 2/3**

Is the balance sheet €20M+?

Is the revenue €40M+?

Are there more than 250 employees?

YES

NO

*\*Listed micro-companies are not obligated to comply with the CSRD*

\*Listed SMEs will be subject to CSRD starting Jan 1, 2026 but will be allowed a two-year opt-out period

\*\*Listed micro-companies are not obligated to comply with the CSRD

Under the CSRD, non-EU companies with >150m€ turnover in EU territory AND having an affiliate (with the features of listed and large companies) OR a subsidiary (>40m€) in the EU will be subject to the CSRD starting Jan 1, 2028



# THE EU TAXONOMY: WHAT NEEDS TO BE REPORTED?

To comply with the EU Taxonomy Regulation, an economic activity must qualify as both environmentally and socially sustainable through the following four steps:

## STEP 1 MAKE SUBSTANTIAL CONTRIBUTION

The first step of the Taxonomy Screening is to check that it makes a significant contribution to at least one of the six environmental objectives laid out by the EU Taxonomy.

## STEP 2 DO NO SIGNIFICANT HARM (DNSH)

The activity must then, not harm any of the other five objectives. This is often referred to as the DNSH requirement.

## STEP 3 MEET MINIMUM SOCIAL SAFEGUARDS

Finally, companies must meet minimum social safeguards (MSS) established by the OECD Guidelines on Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO Core Labour Conventions.

## STEP 4 COMPLY WITH THE TECHNICAL SCREENING CRITERIA (TSC)

The technical screening criteria can be qualitative or quantitative, or both, and contain thresholds where possible.

### The six environmental objectives:

PUBLISHED

- 1 Climate change mitigation
- 2 Climate change adaptation

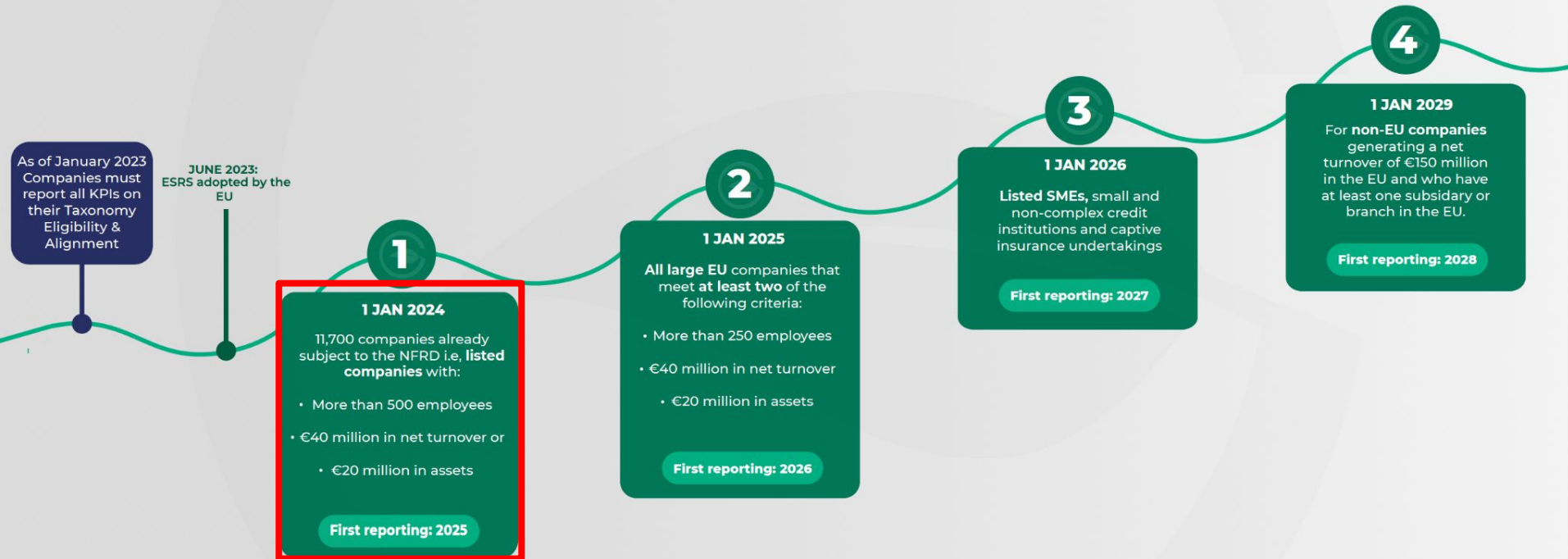
TO BE RELEASED

- 3 Sustainable & protection of water and marine resources
- 4 Transition to a circular economy
- 5 Pollution prevention
- 6 Control, protection, and restoration of biodiversity & ecosystems



# THE CSRD/ESRS

## WHO DOES IT AFFECT?



# EUROPEAN SUSTAINABILITY REPORTING STANDARDS

## A DEEP DIVE IN THE FIRST SET OF ESRS

### ESRS 1

#### General Requirements

- Double Materiality
- Sustainable Due Diligence
- Value Chain
- Time Horizons
- Preparation and presentation
- Structure
- Linkages with other parts of corporate reporting
- Transition provisions

### CSRD Art 29b: EU Sustainability Reporting Standards

BY JUNE 2023					BY JUNE 2024		
Sectors agnostic standards (first set of ESRS)					Sector specific standards	Simplified standards for SMEs	Standards for non-EU, non-listed companies
<b>CROSS-CUTTING STANDARDS</b>					Additional material themes for:		
ESRS 1 General Requirements		ESRS 2 General Disclosures					
<b>ENVIRONMENT</b>					<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Coal Mining</li> <li>• Mining</li> <li>• Oil and Gas (upstream, and mid-to downstream)</li> <li>• Energy Production</li> <li>• Road Transport</li> <li>• Motor Vehicle Production</li> <li>• Food and Beverages</li> <li>• Textiles</li> </ul>	<ul style="list-style-type: none"> <li>• Standard for listed SMEs</li> <li>• Voluntary guidance for non-listed SMEs</li> </ul>	TBD
ESRS E1 Climate Change	ESRS E2 Pollution	ESRS E3 Water and Marine resources	ESRS E4 Biodiversity and Ecosystems	ESRS E5 Resource use and Circular Economy			
<b>SOCIAL</b>							
ESRS S1 Own Workforce	ESRS S2 Workers in the value chain	ESRS S3 Affected Communities	ESRS S4 Consumers and end-users				
<b>GOVERNANCE</b>							
ESRS G1 Business Conduct							

### ESRS 2

#### General Disclosures

- Basis for preparation
- Governance requirements
- Strategy
- Impact, risk and opportunity management
- Metrics and Targets

# CSRD 12 EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

**Report completion**

81.6% completed

ESRS	Assignee	Completion
ESRS 1		100%
ESRS 2		63%
ESRS E		12%
ESRS S		12%
ESRS G		52%

**ESRS reporting**

### ESRS 2

#### Objectives

This [draft] ESRS sets out the disclosure requirements that apply to all undertakings regardless of their sector of activity (i.e., sector agnostic) and apply across sustainability topics...

#### Related disclosures

- ESRS 1: General information
- ESRS 2: Impact, risk and opportunity management
- ESRS E: Environmental
- ESRS S: Social
- ESRS G: Governance

**Add reminder**

Add reminder for: ESRS 2 IRO 1 - Description of the processes to identify and assess impacts, risks and opportunities

Responsible user\*

Select responsible user

Deadline\*

15/03/2022

Reminder\*

None  
On day of event  
1 day before  
3 days before  
1 week before  
1 month before

Description

Please complete ESRS 2 IRO 1 disclosure statement by March 11 2022

**ESRS 2**

#### Impact, risk and opportunity management

##### ESRS 2 IRO 1 - Description of the processes to identify and assess impacts, risks and opportunities

###### General information

The undertaking shall disclose the following information:

- (a) a description of the methodologies and assumptions used to assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (b) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (c) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (d) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;

###### Disclosure requirements

The undertaking shall disclose the following information:

- (a) a description of the methodologies and assumptions used to assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (b) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (c) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;
- (d) a description of the processes to identify and assess impacts, risks and opportunities and to assess their materiality for the undertaking;

# ESRS UP TO 1200 DATA POINTS

## **2. LEGISLATION DRIVES A NEED FOR ESG DATA**



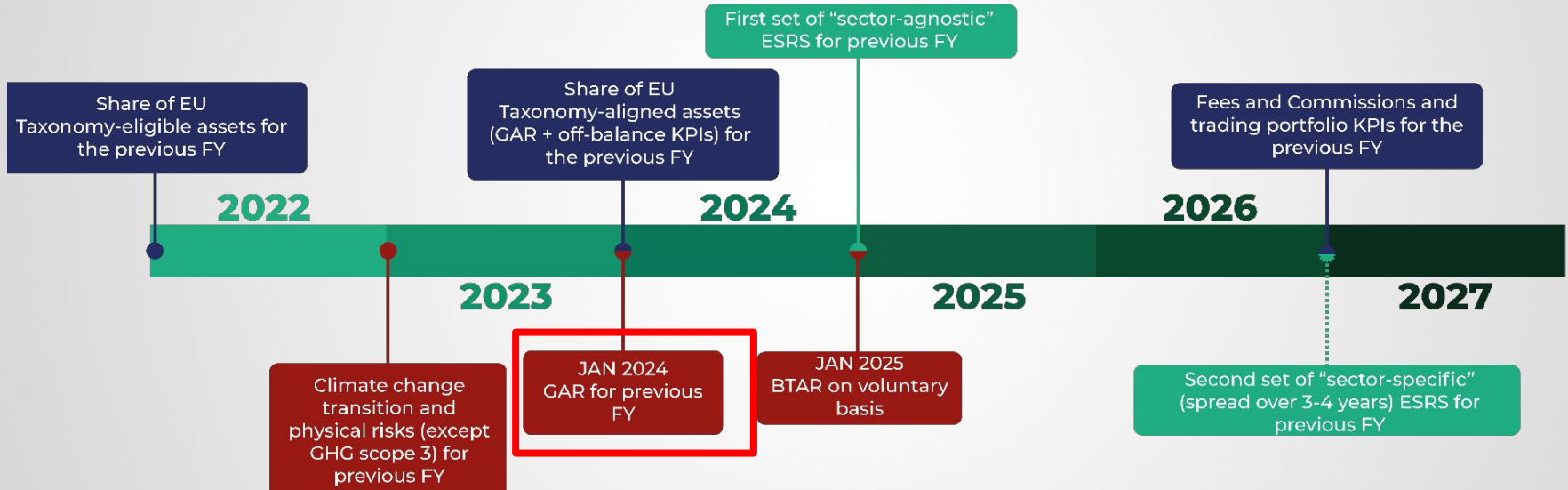
# WHAT DO BANKS NEED TO REPORT AND WHEN? STARTING...

## KEY

EU TAXONOMY

CSRD

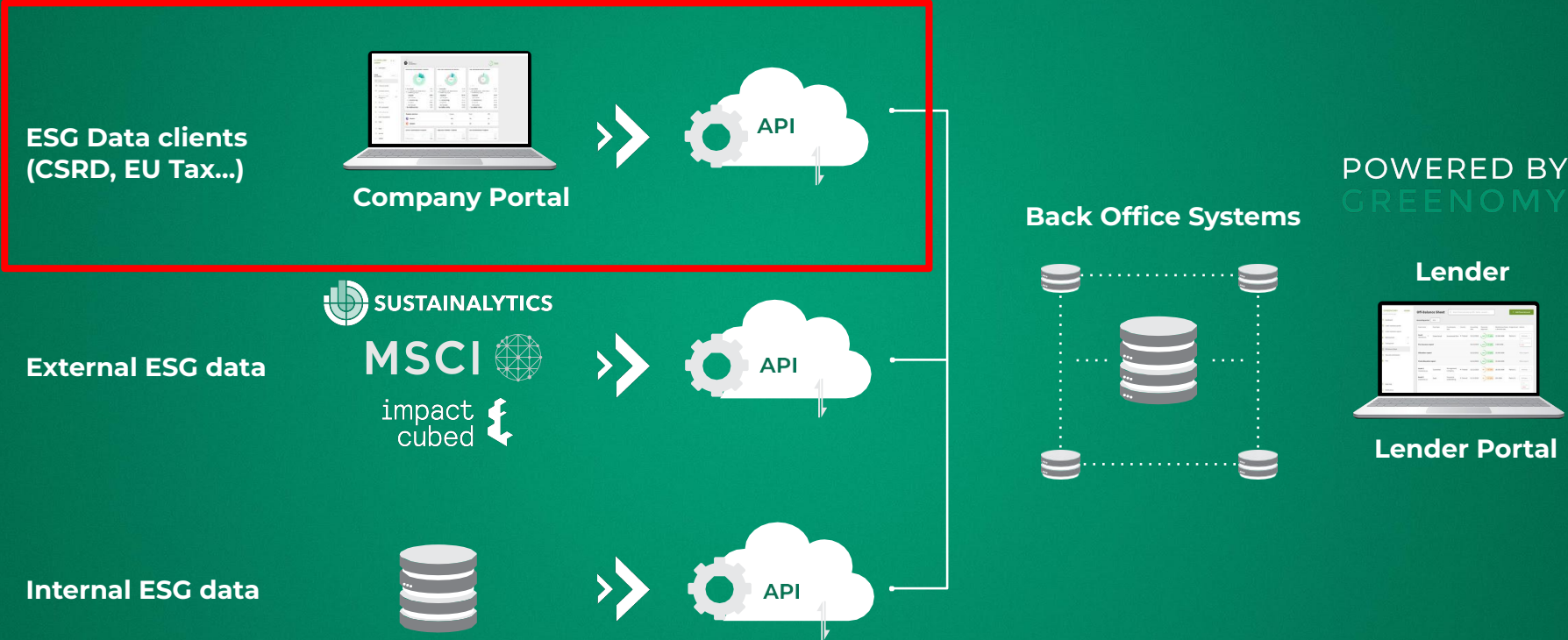
PILLAR III BTAR



## KEY CHALLENGES IMPACTING BANK'S SUSTAINABILITY ASSESSMENT

- Corporate clients (NFRD, non-NFRD) **disclosure data lacks completeness, granularity, accuracy and comparability**
- **Timing mismatch** between corporate data availability and banks ability to apply and disclose against sustainability criteria
- Need to deploy **new operating models**, with **holistic client engagement processes** for all types of clients and transactions, scalable and **integrated in existing client lifecycle processes** and overall **performance assessment** (financial and non-financial)
- Interpretation issues; **need for a common language** between the bank and its customers and across the market
- **Evaluating and forecasting ESG risk** profile of the counterparties remains a complex issue
- Increase in subsequent **risk of greenwashing** and need for **brand differentiation**
- General **lack of ESG expertise available**, increasing **need to digitise and automate** while maintaining cost control

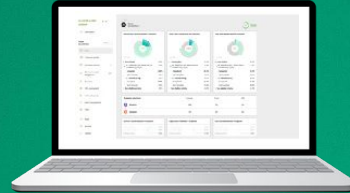
# GREENOMY'S HOLISTIC "PLUG-IN" SOLUTION



# WHAT CAN GREENOMY BRING TO CREDIT BUREAUS?

1.

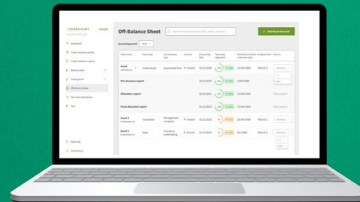
Whitelabel the Greenomy Company Portal and enhance your database with up-to-date regulatory ESG Data (CSRD, EU TAX, SFDR PAIs)



Company Portal

2.

Distribute the Greenomy Lender Portal and help banks collect ESG data and compute KPIs (GAR, BTAR)



Lender Portal



3.

Access data sourced by our European-wide network of partners for banks with cross-border activities



SURENESS

BUSINESS

SUCCESS

Daten – zu Unternehmen, für Unternehmen.

# SCHUFA ESG Solution – Establishment of a central sustainability data platform for Germany

Supporting the German economy in its sustainable transformation



# SCHUFA's central platform ensures the availability and exchange of sustainability data, thus supporting the transformation

1

## Network and scale effects

Central platform solution enables cross-bank data exchange partnership

Mutual principle creates synergy effects

As an intermediary, we ensure neutrality and the necessary confidentiality between all platform partners.



**The SCHUFA ESG Solution, gives obligated parties access to a comprehensive data pool.**

2

## Strong brand and networking on the German market

Over 10,000 corporate clients have already put their trust in us.

Existing business relationships with most German banks and a majority of German insurers

Many banks are also shareholders in SCHUFA.



**We are a long-standing, trusted partner of companies, banks and insurers with access to SMEs.**

3

## Regulatory expertise

We already support our clients in meeting regulatory requirements today with a comprehensive range of compliance and KYC solutions.

Continuous further development of our solutions – based on the challenges

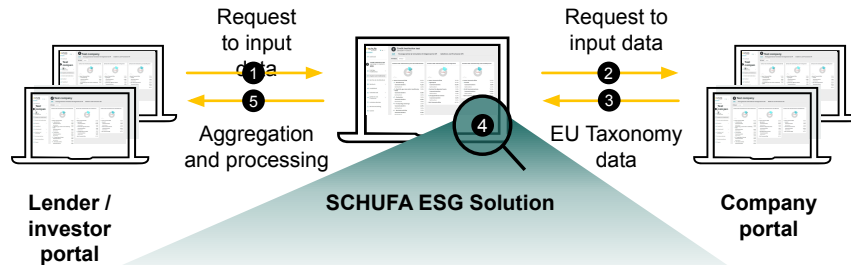
Sets of rules are always kept up-to-date with EU regulations



**We support the business community in meeting the complex requirements of ESG regulation.**



# Requirements for companies, banks and investors are linked via financing activities and disclosure requirements



## Large companies: internal reporting obligations & data exchange with banks / investors

To fulfil their own reporting obligations from the NFRD and CSRD, companies enter the required information in a guided online solution and carry out their EU Taxonomy assessment.

Based on this data, all relevant EU Taxonomy ratios and supporting KPIs are calculated.

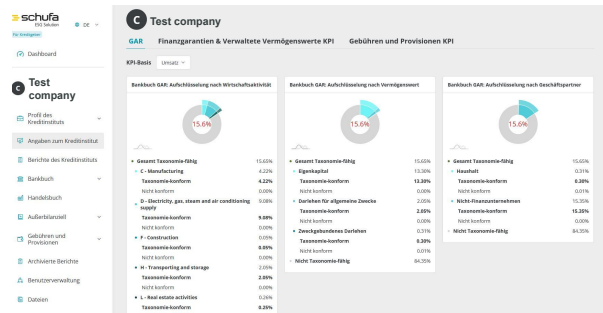
A standardised report is generated with the relevant information for the EU Taxonomy Assessment and the CSRD requirements.

Banks and investors need and request data from their customers.

## SMEs: will be affected by European sustainability standards in the future

Financing activities / reporting obligations of banks (e.g. BTAR) OR

Supply chain relations with larger companies.



# Sneak preview – first clients already using SCHUFA ESG Solution

The screenshot displays the SCHUFA ESG Solution interface, divided into two main sections: a 'Bankbuch' (Bank Ledger) and a 'Übersicht über die Gruppe' (Group Overview) dashboard.

**Bankbuch Section:**

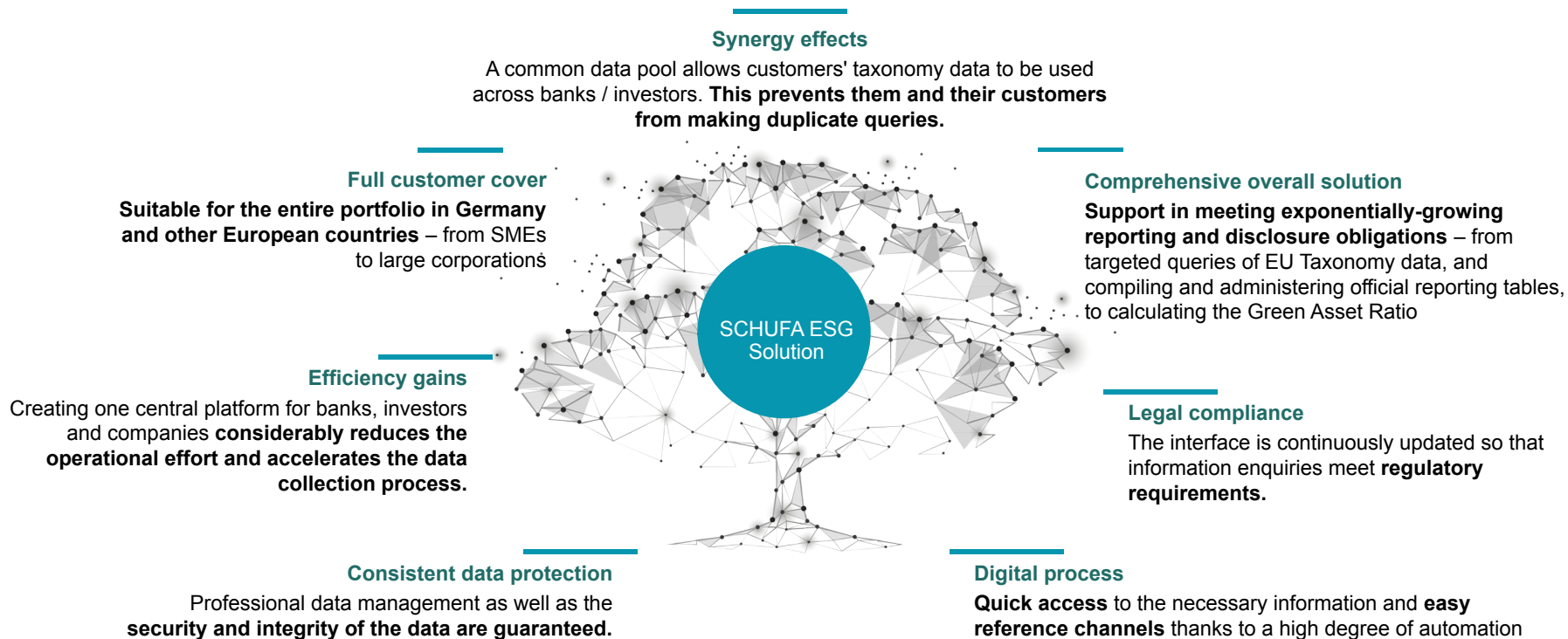
- Header:** 'schufa ESG Solution Für Kreditgeber' (For Creditors). Includes a search bar for 'Suche von Kreditinstitut, ISIN, LEI, Handelsregistre' and a button 'Finanzielle Vermögenswerte hinzufügen'.
- Table:** A table with columns: Asset-Name, Asset-Typ, Bruttobuchwert, Name der Geschäftspartner, Land, Art des Geschäftspartners, Status, Umsatz, CapEx, and Quelle.
- Row 1:** Deutschland | Haushalt | 100% | Eingereicht
- Row 2:** Deutschland | Nicht-Finanzunternehmen | 15% | Aktiv | Eingereicht
- Row 3:** Frankreich | Nicht-Finanzunternehmen | 3% | 77% | Aktiv | Eingereicht
- Row 4:** Deutschland | Haushalt | 100% | Eingereicht
- Row 5:** Deutschland | Haushalt | 100% | Eingereicht
- Row 6:** Belgien | Nicht-Finanzunternehmen | 100% | Aktiv | Eingereicht

**Übersicht über die Gruppe Section:**

- Header:** 'Konsolidiert' and 'Bericht'.
- Three Donut Charts:**
  - Gesamte taxonomiefähige Umsatzerlöse:** 77.5%
  - Gesamte taxonomiefähige Investitionsausgaben (CapEx):** 80.7%
  - Gesamte taxonomiefähige Betriebsausgaben (OpEx):** 76.8%
- Table of Taxonomy Data:**

Ziele der Taxonomie	Umsatz	CapEx	OpEx
Klimaschutz	77.50%	80.91%	82.20%
- Navigation Sidebar (Left):** Dashboard, Electrotech (01-10-049129), Berichtszeitraum, Zweckgebundene Schuldtitel, Benutzerverwaltung, Dateien, BERICHTSZEITRAUM (2022), Ihr Unternehmen (Unternehmensprofil, Tochterunternehmen, Wirtschaftstätigkeiten), Berichtsrahmen (EU-Taxonomie-Screening, ESG-Datenerhebung), Hilfe.

# Sharing the benefits of a central data collection and distribution platform



**WE LOOK FORWARD TO HEARING FROM YOU**



Marlies Gevaert

[marlies.gevaert@greenomy.io](mailto:marlies.gevaert@greenomy.io)

+34 671 700 887



Dr. Hartmut Schott

[hartmut.schott@schufa.de](mailto:hartmut.schott@schufa.de)

+49 173 3455822