

RespACT Workshop

Transforming ESG Requirements into Strategic Opportunities

29 February 14:00-15:30

About me

Master in Business Administration and in Sciences, CFA Charterholder, Master in International and European law

10y consulting of start ups

20y banking experience in Investment Banking advising large corporate firms on their financial strategy

Certificate in ESG Investing, **GRI** Certified Sustainability Professional, member of RespACT and of United Nations Global Compact, working from Climate Lab in Spittelau

10y experience managing projects and companies on behalf of large financial institutions (Civil Society, women and migrant livelihood)

Lives since 2020 in Vienna, Mother of two lovely twin girls of 20y old, aim for triathlon this summer.

Why are you and me here?

Futurewise Partners empowers companies and asset owners to navigate the evolving landscape of sustainability and reporting.

” *We transform challenges into sustainable growth opportunities.*

What about you?

In collaboration with like-minded organizations, we are **committed to creating ecosystems that accelerate collective impact and the adoption of regenerative practices.**

FutureWise Partners is Member of the GRI community, UN Global Compact Austria and RespAct. It is registered in Austria, operating at Climate Lab

Our Agenda

- Where did it all start: from Paris 2015 to Vienna today

- What is Sustainable Finance - what do we mean by that (focus on CSRD and SFDR)

- What does that mean for my company in terms of challenges and opportunity

- Why and How can I prepare for it

2015: Paris



Adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris on 12 December 2015



International treaty on climate change -
legally binding for countries



Limit the temperature increase to 1.5°C above pre-industrial levels => greenhouse gas emissions must peak before 2025 at the latest and decline **55%** by 2030



Each country submit their national climate action plans, known as **Nationally Determined Contributions (NDCs)**



Europe: Fit for 55' legislative package

2019: Europe

The **European Green Deal** is a **policy framework** aimed at making the EU's economy sustainable by turning climate and environmental challenges into opportunities, and making the transition just and inclusive for all.

European Climate Law: legislative backbone that legally binds the EU to its climate neutrality goal by **2050**.

Fit for 55: policy proposals designed to ensure the EU meets its target of reducing net greenhouse gas emissions by at least **55% by 2030**, compared to 1990 levels.



Farm to Fork Strategy make food systems fair, healthy, and environmentalall y-friendly.



Biodiversity Strategy for 2030: overall goals and ambitions for biodiversity and ecosystem restoration



Circular Strategy action plan focusing on reducing waste and ensuring that resources are kept in use for as long as possible



Others
 Zero Pollution Action Plan for Water, Air, and Soil
 Renovation Wave Strategy
 Sustainable and Smart Mobility Strategy
 EU Forest Strategy for 2030

Taxonomy

SFDR

CSRD

Green Bonds



Sustainable Finance Action Plan and Strategy

Goal: encourage the integration of environmental, social, and governance (ESG) factors into the financial sector. It aimed to reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth.

6 main goals:

Extend the **sustainable finance toolbox to facilitate access** to transition finance

Increase the contribution of the financial sector to sustainability

Improve the inclusiveness of small and medium-sized enterprises (SMEs), and consumers, by giving them the right tools and incentives to access transition finance.

Ensure the **integrity of the EU financial system** and monitor its orderly transition to sustainability

Enhance the **resilience of the economic and financial system** to sustainability risks => climate change stress tests by banks

Develop **international sustainable finance initiatives and standards**, and support EU partner countries

What is Sustainable Finance

Sustainable finance requires the incorporation of sustainability considerations into investment and financing decision-making processes through the use of ESG (**environmental, social, and governance**) criteria.

There are a Sustainable Finance Framework and Sustainable Finance Products

EU Sustainable Finance Products

(to be discussed in the next workshop)

→ **Green Bonds:** finance projects that have positive environmental impacts

→ **Social Bonds:** proceeds are specifically used for projects with positive social outcomes

→ **Sustainability-Linked Loans (SLLs):** interest rate, can vary depending on the borrower's achievement of predetermined sustainability performance targets.

→ **Sustainable Funds:** Investment funds that allocate capital to companies or projects based on their ESG performance, aiming to generate sustainable, long-term financial returns alongside positive societal impacts.

→ **ESG Integration in Asset Management:** Inclusion of ESG factors into traditional financial analysis and investment decisions, aiming to identify material risks and growth opportunities.

→ **Green Mortgages:** Mortgage loans with favorable terms for the financing of energy-efficient and sustainable homes.

→ **Carbon Credits and Offsetting:** Financial instruments representing a reduction in greenhouse gases that can be purchased by companies or individuals to offset their own carbon emissions.

EU Sustainable Finance Framework

Taxonomy

SFDR

CSRD

Green Bonds

- ✓ **EU Taxonomy Regulation:** classification system to guide investors, companies, issuers, and project promoters in transitioning to a low-carbon, sustainable economy. A **sustainable economic** activity has
 - to be assigned to a defined taxonomy activity by the EU,
 - contribute substantially to one of six defined environmental objectives,
 - do not significantly harm any of the remaining environmental objectives,
 - comply with a series of minimum social safeguards.

Disclosures

- ✓ **Sustainable Finance Disclosures Regulation (SFDR):** climate and environmental risks will be managed and integrated into the financial system.
- ✓ **Corporate Sustainability Reporting Directive (CSRD):** Requires companies to disclose information on how they operate and manage social and environmental challenges.

TOOLS

- ✓ **EU Green Bond Standards:** high-quality voluntary standard for bonds financing sustainable investments
- ✓ **Ecolabels for Financial Products**
- ✓ **EU Climate Benchmarks**

Austria - Green Finance agenda

Comprehensive **strategy** presented by the **Federal Ministry for Climate Action** (BMK) and the **Federal Ministry of Finance (BMF)** that pursues three key objectives:

- **Mobilizing capital** to protect the climate and make Austria sustainable,
- Managing climate-relevant **risks accordingly**
- Promoting **transparency**, a long-term approach, and effective impact in the capital market.



What all of this mean for the Private Sector

EU Sustainable Finance Framework

What does that mean for **Banks**



Invest where it makes sense: “give loans to sustainable activities and stop funding non sustainable ones”



Manage your risks to avoid repeating 2018 and hence **include the climate linked risks** (physical and transition) into your risk assessment



Give me **tools** to be able to see that you are walking the talk

- Green Asset Ratio
- ECB climate stress test
- Green supporting factor

EU Sustainable Finance Framework

What does **Banks need**



Green Asset Ratio: assets that finance and are invested in EU Taxonomy-aligned economic activities as a proportion of the total covered assets . So banks need from as many corporate as possible, their % of Turnover, Capex and OPex eligible as sustainable by the **EU Taxonomy**. **Large companies need to report it but what about SMEs?**

It might also help the banks in their capital requirement => they are really interested by showing good ratio



ECB Climate stress tests: in order to assess the transition risk or how their exposure is at stake in function of the climate scenario, they might ask you some questions on your **emissions or on your transition plan**.

For large companies: EU Taxonomy

Taxonomy

Taxonomy-eligible: Activities identified as eligible

6 environmental Objectives:

- Climate change mitigation (2021)
- Climate change adaptation (2021)
- Sustainable use of water and marine resources (2023)
- Transition to circular economy (2023)
- Pollution prevention and control (2023)
- Protection and restoration of biodiversity and ecosystems (2023)

Taxonomy-aligned: Taxonomy-eligible activities that fully comply with the EU Taxonomy's technical screening criteria for **substantial contribution; they do no significant harm and with the minimum safeguards.**

Eligibility Ratio: Key Performance Indicators based on the their Turnover, their Capital Expenditure (CapEx), their Operational Expenditure (OpEx)

EU Taxonomy - ÖBB Example

The KPI sales revenue for the financial year 2022 is as follows:

Economic Activities	Turnover in million EUR	Proportion of Turnover in %	Substantial Contribution Criteria		DNSH-criteria („Do No Significant Harm“)						Minimum Safeguards	Turnover Share (A.1 + A.2) / (A.1 + A.2 + B.1 + B.2) proportion of turnover 2022	Category "Enabling Activity"	Category "Transitional Activity"	
			Climate Change Mitigation	Climate Change Adaptation	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution: Biodiversity and ecosystems	Y/N					Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES															
A.1. Environmentally sustainable activities (Taxonomy-aligned)															
3.3. Manufacture of low carbon technologies for transport	61,9	1,3%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	1,3%	E	
4.1. Electricity generation using solar photovoltaic technology	0,0 ¹⁾	0,0%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	0,0%		
4.3. Electricity generation from wind power	0,0 ¹⁾	0,0%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	0,0%		
4.5. Electricity generation from hydropower	4,6	0,1%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	0,1%		
4.9. Transmission and distribution of electricity	27,2	0,6%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	0,6%	E	
6.1. Passenger interurban rail transport	727,2	15,6%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	15,6%		T
6.2. Freight rail transport	1.362,8	29,2%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	29,2%		T
6.3. Urban and suburban transport, road passenger transport	1.010,8	21,6%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	21,6%		T
6.14. Infrastructure enabling low-carbon road transport and public transport	41,5	0,9%	100%	0%	n/a	Y	Y	Y	Y	Y	Y	Y	0,9%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	3.236,0	69,3%											69,3%	1,9%	66,4%
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)															
3.3. Manufacture of low carbon technologies for transport	9,2	0,2%													
4.15. District heating/cooling distribution	2,2	0,0%													
6.2. Freight rail transport	469,5	10,0%													
6.3. Urban and suburban transport, road passenger transport	587,0	12,6%													
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	0,0 ¹⁾	0,0%													
6.14. Infrastructure enabling low-carbon road transport and public transport	5,0	0,1%													
7.7. Acquisition and ownership of buildings	63,1	1,4%													
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	1.136,0	24,3%											0,0%		
Sum (A.1 + A.2)	4.371,9	93,6%											69,3%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES															
Turnover of Taxonomy-non-eligible activities	299,3	6,4%													
Total (A+B)	4.671,2	100,0%													

^{*)} The delegated acts for the other environmental objectives of the EU taxonomy are not yet available and therefore economic activities can only make a significant contribution to the environmental objective "climate protection" or "adaptation to climate change", the other environmental objectives are not listed in the presentation.

¹⁾ Smallest amount.

Abbreviations:

Y/N Yes / No

n/a not applicable

E Enabling activity

T Transitional activity

SMEs: Example of what they can

ask you => OeKB > ESG Data Hub

<https://www.oekb-esgdatahub.com/index.html>

- 1. Start
- 2. Master data
- 3. Business
- 4. Environment
 - 1. Energy consumption (1/2)
 - 2. Water (0/1)
 - 3. Waste and recycling (2/5)
 - 4. Mobility (1/2)
 - 5. Greenhouse gas emissions (1/2)
- 5. Social
- 6. Governance
- 7. Industry specific questions
- 8. File upload
- 9. Summary
- Questionnaire completed

- 3. Business
 - 1. Transparency and disclosure (3/4)
 - 2. Greenhouse gas emissions (1/1)
 - 3. Investments (2/2)
 - 4. Risk management (2/3)
 - 5. Taxonomy (1/4)
 - 6. Strategy, management systems and certification (1/2)

- 5. Social
 - 1. Staff (0/5)
 - 2. Legal conformity (0/1)
 - 3. Stakeholder (0/2)

- 6. Governance
 - 1. Sustainability (1/1)
 - 2. Risk management (1/1)
 - 3. Suppliers (1/1)
 - 4. Legal proceedings (1/1)

RESET

CATEGORY	GENDER	ENTER NUMBER (NOT FTE)	AVERAGE GROSS ANNUAL SALARY	STAFF WITH DISABILITIES
Total staff	Female	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>
Total staff	Male	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>
Total staff	Diverse	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>
Managers	Female	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>
Managers	Male	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>
Managers	Diverse	<input type="text" value="Number"/>	<input type="text" value="Enter"/> EUR	<input type="text" value="Number"/>

Sector-specific questions

You have completed the general questionnaire

Below you will find the sector-specific questions. The sector suitable for your company has already been preselected, but you can preferably select and answer additional sectors from the list below. If no pre-selection has been made, then there is currently no sector-specific questionnaire for your industry. Note: For companies in the main sector ("Real estate and activities") please manually select the appropriate sector for your company (real estate development-property owner-occupier management).

Tourism	Real Estate Development
Real Estate Owner	Real Estate Asset management

Search show only granted

Recipient type	Name
<input type="checkbox"/> Credit Institute	Alpen Privatbank Aktiengesellschaft
<input type="checkbox"/> Credit Institute	Dornbirner Sparkasse Bank AG
<input type="checkbox"/> Credit Institute	Erste Bank der österreichischen Sparkassen AG
<input type="checkbox"/> Credit Institute	Erste Group Bank AG
<input type="checkbox"/> Credit Institute	HYPO NÖE Landesbank für Niederösterreich und Wien AG
<input type="checkbox"/> Credit Institute	Hypo Vorarlberg Bank AG
<input type="checkbox"/> Credit Institute	KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT
<input type="checkbox"/> Credit Institute	Kärntner Sparkasse Aktiengesellschaft
<input type="checkbox"/> Credit Institute	Linzer Sparkasse AG
<input type="checkbox"/> Credit Institute	Oberbank AG
<input type="checkbox"/> Credit Institute	Oberösterreichische Landesbank Aktiengesellschaft
<input type="checkbox"/> Credit Institute	Osteösterreichische Kontrollbank

How can you be prepared?

Start now to assess the data you have and you might take some time to get

Fill the form of Oekb

Look at the figures and what they are telling you - any surprise? How should they be?

EU Sustainable Finance Framework

Potential for cheaper funding

Taxonomy

Sustainability Linked loan

- Tie the economic outcomes, such as interest rates, to the borrower's performance against agreed-upon sustainability targets.
- The trend is moving towards two-way pricing adjustments, meaning the borrower's interest rate could decrease for meeting targets or increase for poor performance against the KPIs and **Sustainability Performance Targets (SPTs)**.

Exemple:

- **Porsche Holding Salzburg** - €200 million sustainability-linked loan for a tenor of three years - pricing adjustment mechanism that links its margin to CO2 emissions, share of battery electric vehicles sold and women in management
- **UniCredit Bank Austria** sustainability investment or working capital loan for **SMEs** (from 750,000 EUR)

EU Sustainable Finance Framework

What does that mean for **Asset managers and you?**

- ➔ Asset Managers combine various financial instruments like shares, bonds, currencies etc to create funds that they then sell to institutional clients like pension funds or insurance company but also to retail investors (individual persons)
- ➔ These stakeholders need to verify the claims of these funds that they are “green”, “sustainable”, “net zero” etc.
- ➔ In order to do that the EU introduced the **Sustainable Finance Disclosures Regulation (SFDR)** to bring transparency and comparability in financial products (and hence incentivise the transfer to more sustainable investments)
- ➔ The funds are classified as **Article 6** (no sustainability scope), **Article 8** (promote environmental or social characteristics (light green) or **Article 9** (have sustainable investment as their objective (dark green))

EU Sustainable Finance Framework

Corporate Sustainability Reporting Directive

The **Corporate Sustainability Reporting Directive (CSRD)** and the associated **European Sustainability Reporting Standards (ESRS)** is obliging all large companies to report publicly not only their financial performance and strategy but also their sustainability performance and strategy.

CSRD

EU Sustainable Finance Framework

Beyond reporting obligation, why are large companies caring about it? Why do they need your info?

Taxonomy

SFDR

CSRD

Green funding



COST OF FUNDING- Debt

The more sustainable, the cheaper it is for the banks and normally for the clients

Potential to ask for Sustainability Linked Loan.



COST OF FUNDING - Equity

The greener the activities are (and proved to be), the bigger is the opportunity to be included in more funds and hence have a lower cost of funding.



COST OF FUNDING - Listed Debt

Appetite from (institutional) investors in **green loan** - See next session



REPUTATION RISK

Corporate are deemed accountable for what is happening in their value chains, especially regarding Labour and Human Rights. They want to know how their suppliers are handling this risk

EU Sustainable Finance Framework

CSRD: what does that mean if you do not need to report?



A large part of the reporting is covering the value chain

Have you already been asked to fill such a form?

- Your clients might need to report and assess their scope 3; they cannot be satisfied with 80% being “suppliers”. They will need information related to your purchase of raw materials, your energy consumptions..**in other words your GHG Emissions.**
- The clients are also responsible for what is happening in their value chain in terms of **Labour law and Human Rights**

EU Sustainable Finance Framework

CSRD: Example of supplier commitment - Umicore

These principles are applicable to all our suppliers, as a minimum:

We expect our suppliers to be committed to business integrity, to promote the principles of sustainable procurement in their supply chain, to be compliant with international and local laws, to strive to minimize impact on climate and the environment and to respect [international human rights legislation](#), to abolish child and forced labor and eliminate discrimination on their own sites and from their own suppliers.

Examples of supplier queries

SUPPLIER RISKS			
BUSSINESS PERFORMANCE		ENVIRONMENTAL & SOCIAL	
Management	Procurement Costs	Climate Change	Human Rights & Labor Practice
1 Economic performance	1 Supplier's selling price	1 Green House Gases emissions	1 Decent wages & benefits
2 Financial Stability	2 Logistics cost	2 Low carbon mobility & operations	2 Training & education
3 Strategic fit	3 Payment terms	3 Availability of clean technologies	3 Freedom of association
4 Common IT system	4 Price competitiveness		4 Freedom of collective bargaining
5 Lean Philosophy	5 Price/cost		5 Child labor
	6 Profit impact of supplier		6 Forced & compulsory labor
			7 Humane treatment
			8 Diversity & equal opportunity
Quality	Delivery	Resource Use	Human Health & Safety
1 Level of supplier's defect-free products	1 Supplier's booking procedures	1 Energy Use	1 Industrial Hygiene
2 Warranties and claim policies	2 Purchase order cycle time	2 Land Use & ecosystems	2 Physically demanding work
3 Repair service	3 Order frequency	3 Water use	3 Limited or no access to personal protective equipment (PPE)
4 Quality certification	4 Percentage of late deliveries	4 Raw Materials use	3 Lack of awareness of the risks related to work
5 Management commitment to quality	5 Reserve capacity	5 Hazardous materials use	5 Promoting Sustainable Lifestyles
6 Process improvement activities	6 Supplier's order entry and invoicing system including EDI	6 Waste generation	6 Conventional air pollutants
	7 Logistic Performance Index	7 Recycling and reverse logistics program	7 Toxicity & hazardous materials
		8 Environmentally friendly product packaging	

CSRD



Topic	Not met
1.1 Leadership, strategy and stakeholder engagement	
<ul style="list-style-type: none"> Management systems Business integrity including anti-corruption and bribery (ACB) Data privacy 	
2.1 Resource efficiency and energy consumption	
2.2 Emissions and waste management	
2.3 Hazardous substances	
2.4 Health and Safety	
3.1 Child labour	
3.2 Non-discrimination, diversity and fair treatment	
3.3 Human rights / Modern slavery	
3.4 Working conditions – wages, social security, working hours	
3.5 Union agreements/ workforce representation	
4.1 Supply chain engagement	
4.2 Conflict Minerals	
5.1 Management of regional and global requirements and regulations	
5.2 Packaging, design, use, recycling (for products which use packaging) enter N/A if no packaging used	
5.3 Sustainability impact of products and services	
5.4 In use product and service health and safety promotion	
Company Name:	
Product(s) / service(s) supplied:	
Name of person completing the form:	
Position of person completing the form	
Date of completion:	Signature:

How can you be prepared?

Start measuring your emissions and understand them

Start to assess ESG data you have and the ones you might take some time to get

Discuss with your suppliers, do they have already a supplier code of conduct

Only a burden? What 's in for me?

In Conclusion - Why should you care



**Access cheaper
funding**



**Improve Financial
performance**



**Meet the requirements
of stakeholders**



**Gain a competitive
advantage**

Where to start

Be a first mover and gain a competitive advantage

Strategise	Measure	Discuss with your bank	Discuss with your clients	Sustainability Plan/ Report
<p>Determine why you are doing what you are doing and what does matter for you</p> <p><i>Tools: (Double) Materiality analysis</i></p>	<p>Identify the important metrics for you & your stakeholders - establish measurement plan and processes</p> <p><i>Tools: Carbon measurement platform + OeKB ESG Hub</i></p>	<p>Discuss how they see the coming demands, what is important for them.</p> <p>Discuss your funding needs with links to your sustainability plan</p>	<p>Who are your main clients?</p> <p>Do they need to report under CSRD?</p> <p>Be proactive in discussing with them what they will probably need</p>	<p>Show you walk the talk</p> <p>Start small but do start</p> <p>Engage the organisations and suppliers</p> <p><i>Tools: Global Reporting Initiative (GRI)</i></p>

Next Workshop



**How to raise funding
(if you are a large
company) through
sustainable Finance**



How to ask your insurance management pension plan of your company whether they are investing in a sustainable way



How to invest the cash of your company in a sustainable way



How to invest your individual money in a sustainable way

We would be glad to support you in your sustainability journey



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