

ESG

Sustainability regulations & requirements
for Financial Services

Capgemini  invent

1. INTRODUCTION

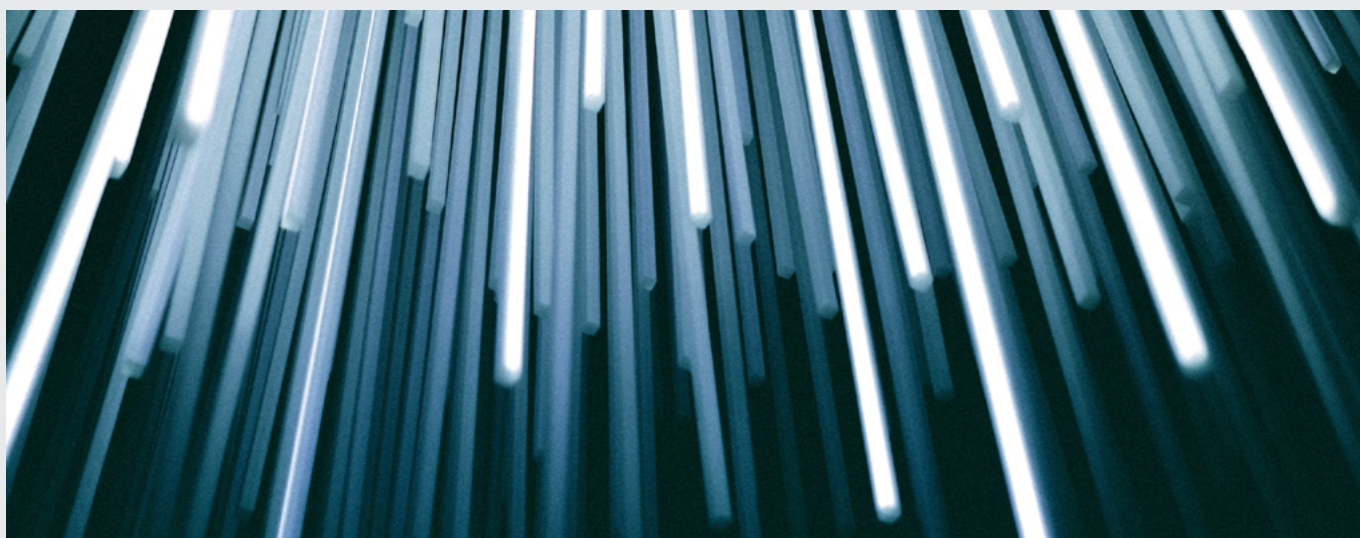
Sustainability has long been a buzzword. Be it corporate or consumer, there is no denying the significant shift in attitude towards saving the planet. For companies, sustainability – the need to address environmental, social and governance (ESG) issues – has never been a more urgent imperative. Investors, customers, policy makers, society and employees are scrutinizing the actions of their businesses in unprecedented detail.

The financial sector plays a crucial role in promoting sustainability by allocating capital, managing risks, and influencing the behavior of businesses and industries. In recent years the sector has undergone a significant sustainability shift, as it recognizes the importance of

integrating environmental, social and governance (ESG) considerations into its operations and decision-making processes. This shift is driven by several factors, including increasing awareness of climate change and social issues, increasing investor demand, evolving regulatory frameworks and the recognition of climate related risks. As a result, European banks are putting significant resources towards environmental, social and governance objectives. Multiple new regulatory proposals are making rapid progress in the EU as it seeks to lead the way in addressing climate change and stimulating the social and economic benefits follow it. With the commitment to sustainability transitioning from a 'nice to be' to a 'necessity' era, implementation of these new EU regulations will drive

forward the net zero transition in Europe and play a significant role in determining the shape of the new sustainable economy.

In this paper, we will talk about sustainability regulations. The focus is on regulatory requirements for financial institutions in the EU as regulators expect them to play a key role in the transition to a sustainable society. The maze of EU regulations will be unfolded in Chapter 2, including a deep dive into the most impactful upcoming regulation: the Corporate Sustainability Reporting Directive (CSRD). Next, we will zoom in on the core challenge applying to all regulations, namely data, in chapter 3. And lastly we will present our view on the related solutions to address and overcome those challenges.



2. REGULATORY OVERVIEW

While the pressure on financial institutions to become sustainable comes from multiple facets, we are focusing on the regulatory side in this whitepaper. The goal of these regulatory requirements is to align the financial sector's activities with broader sustainability objectives. Sustainability regulations are continually evolving and becoming more comprehensive with time. A few of the regulations such as the NFRD Climate guidelines, EBA Pillar 3 ESG, EBA Loan Origination and Monitoring ESG, and the ECB Guidelines on climate-related and environmental risks are currently being implemented. The existing NFRD regulation is being revised and expanded by the European Commission as the Corporate Sustainability Reporting Directive (CSRD) and will require major efforts from banks.

As the old saying goes, 'You can't manage what you can't measure,' the need for financial institutions and especially banks to measure sustainability is essential and is even specified in the entire first set of regulations. Since the banks' impact on the environment and society is majorly through their financing and investment activities, it is imperative for them to measure ESG metrics of their clients.

Measurement is of course not an end goal. Firstly, there are several regulations around **disclosures** where institutions need to disclose ESG related information to increase transparency. Secondly, regulations for the financial sector also focus on **risk management**. When sustainability factors of clients are measured, banks must use this data to assess ESG-related risks in their loan origination and monitoring processes. Finally, several regulations can be clustered in the category '**products and clients**' which focus on integrating and standardizing ESG.

GLOSSARY

ESG - ESG stands for Environmental, Social, and Governance. It is a framework used by investors and companies to evaluate the sustainability and societal impact of investments, business operations, and management practices.

Environmental factors consider the impact of business activities on the natural environment, including climate change, carbon emissions, water usage, waste management, and biodiversity.

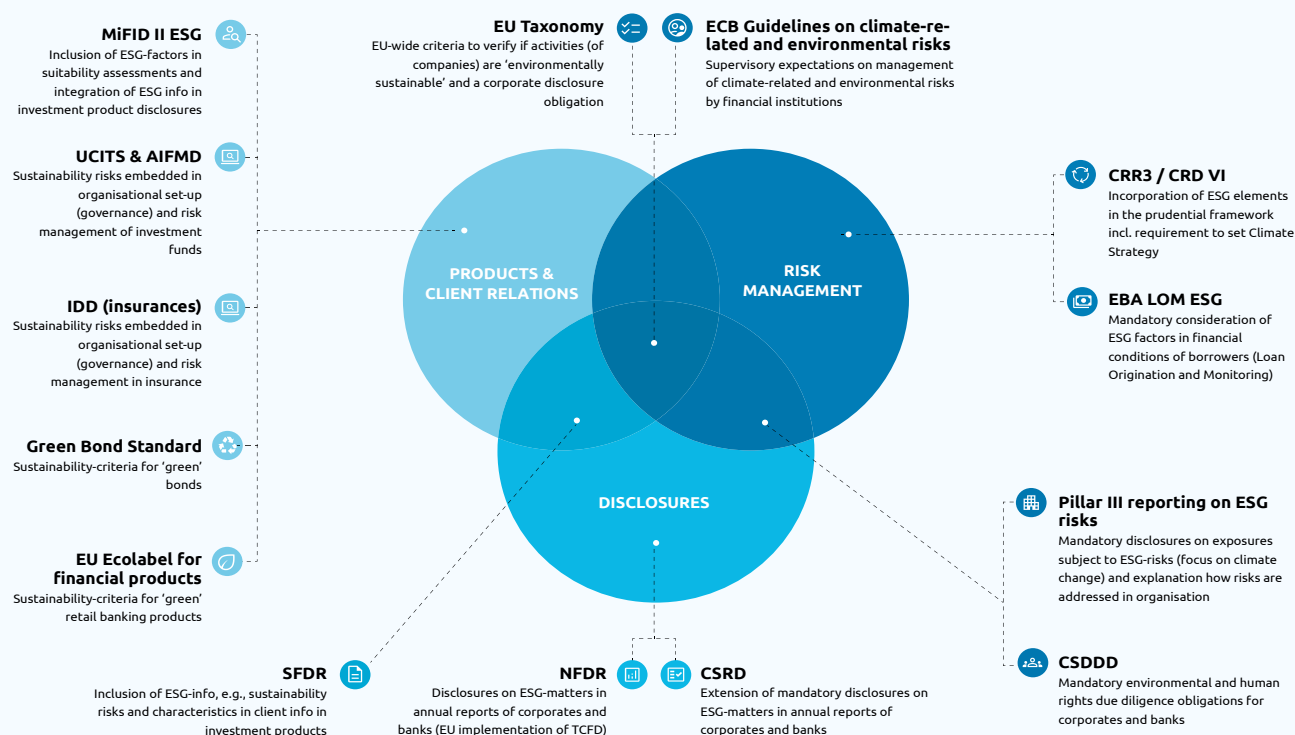
Social factors refer to a company's impact on society, including issues related to labor practices, human rights, community engagement, diversity, equity, and inclusion.

Governance factors evaluate the leadership, management, and decision-making processes of a company, including board structure, executive compensation, risk management, and transparency.



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OVERVIEW AND INTERCONNECTEDNESS OF SUSTAINABLE FINANCE REGULATIONS



EU Taxonomy

The EU Taxonomy is a classification system: it is a list of environmentally sustainable economic activities. For each type of activity that could potentially be considered sustainable (so called EU Taxonomy eligible), the EU has developed a detailed criteria that determine whether the activity can be considered sustainable (so called EU Taxonomy aligned) or not. By providing this standardized definition framework of environmental

sustainability, the EU Taxonomy helps to create security for investors and protect private investors from greenwashing.

Several reporting regulations refer to the EU Taxonomy, for instance the NFRD and EBA Pillar 3 ESG. They require banks to know the EU Taxonomy eligibility and alignment of their clients. For their business clients, this implies that banks need to know what percentage of their clients'

revenue i.e., CapEx and OpEx are EU Taxonomy aligned. This aggregated percentage of their aligned loan book, called as Green Asset Ratio, is then required to be publicly disclosed.

Also, product related regulations and standards refer to the EU Taxonomy such as the EU Green Bond Standard, which states that a bond can only be issued under the name Green Bond if the proceeds of the bond are used for an EU Taxonomy aligned activity.

ECB Guide on Climate-related and Environmental Risks

The European Central Bank (ECB) has published guidelines on Climate-related and Environmental (C&E) risks in November 2020. The guide sets 13 expectations to be met by the banks and provides a framework for financial institutions to address C&E risks.

The ECB guideline requires banks to assess the materiality of C&E risk drivers (physical risks and transition risks) in their portfolios and classify their corresponding risk type such as credit risk, market risk and operational risk. C&E risks need to be considered in the risk management processes, including stress testing, and should be disclosed (e.g., publishing the results of climate risk scenario analyses on certain portfolios), and integrated within lending and investment decisions. Banks are also encouraged to engage with their clients on sustainability and C&E risks.

Although the ECB guide is not binding, banks need to submit implementation plans and progress updates to the regulator for discussion. The guidelines do not explain in detail how institutions should implement, and this raises a challenge for the banks as they need to find the right way for implementation.

There are many overlaps between the 13 ECB expectations and other regulations, for example Expectation 8 on Credit Risk Management overlaps with the EBA guidelines on Loan Origination and Monitoring on ESG, whereas Expectation 13 on disclosures with the implementation of the Non-Financial Reporting Directive.

TWO TYPES OF CLIMATE & ENVIRONMENTAL RISKS

Transition risks are risks related to the transition to a sustainable economy. The transition comes with policy and legal risks, technological risks, market risks and reputational risk. Causes of these risks are the possible implementation of taxes on greenhouse gas emissions, substitution of existing product technology by a greener alternative, and consumers changing their spending behaviour towards more sustainable products and services. For banks, when assessing their clients' creditworthiness, it is becoming increasingly important to consider the level of resilience to these types of changes.

Physical risks are risks related to climate change. They can be acute, such as extreme weather events as floods and droughts, and chronic, such as sea level rise. These events can have a negative impact on the value of companies' buildings and other assets. For banks this has an impact on the collateral value of loans.

EBA Guidelines on Loan Origination and Monitoring ESG

The European Banking Authority (EBA) has issued guidelines on loan origination and monitoring that are designed to promote sound lending practices and to mitigate credit risk. Ten of those guidelines focus on incorporating ESG factors and their associated impact on credit risk.

Loan origination and monitoring guidelines issued by the EBA provide guidance on how banks should assess and monitor the creditworthiness of borrowers and structure loans to ensure they are sustainable. The aim of this regulation is to ensure that credit requests are assessed against the identified risks (via the risk appetite statement and the stress test) and the corresponding loan pricing should

reflect the findings and capital is thus allocated upon acceptance. The credit discussions also provide an opportunity for client dialogue on mitigating those risks or requesting sufficient coverage (e.g., via insurance). EBA LOM ESG however leaves it up to the banks on how they embed ESG aspects into their financing processes, thereby making it imperative for banks to develop strong knowledge on sustainability.

The EBA guidelines focused on ESG partly overlap with Expectation 8 – Credit Risk Management of the ECB Guide on Climate-related and Environmental Risks.

EBA Pillar III ESG

Pillar III ESG is a reporting obligation for banks to disclose information related to their exposure and risk management practices to promote transparency. There are 10 templates that banks need to fill out and disclose, requiring both qualitative and quantitative information. Qualitative information is around banks' policies, strategies, and procedures for identifying, assessing, and managing ESG risks. Quantitative data ranges from greenhouse gas emissions of clients, the energy labels of real estate collateral, the Green Asset Ratio (see EU Taxonomy), exposure to carbon-related assets (based on NACE codes) and exposures related to physical risk (banks need to develop/purchase their own methodology to assess those risks).

The templates are becoming mandatory to be disclosed in a phased approach. In the beginning of 2023, banks were required to publish a selection of the templates, but by June 2024, all the templates will be mandated to disclose twice a year.

Corporate Sustainability Due Diligence Directive (CSDDD)

The due diligence obligation requires corporations and banks to conduct a thorough assessment of their direct and indirect impact on the environment and human rights, as well as the impact of their supply chains, subsidiaries, joint ventures, and business relationships. This includes analyzing the risks associated with their operations and products, identifying vulnerable groups that may be affected, and engaging with stakeholders such as communities, civil societies, and human rights defenders.

The obligation also requires corporations and banks to implement measures to prevent and mitigate the identified adverse impacts. This may include adopting policies, procedures, and standards to address these risks, track performance, provide remediation to those affected by their operations, and ensure that their operations are consistent with internationally recognized human rights and environmental norms.

In addition to the due diligence obligation, corporations and banks are also required to be transparent about their impact and actions by reporting publicly on their environmental and human rights performance. This includes disclosing information about their policies, performance, and risks, and their efforts to address the adverse impacts and their engagement with stakeholders.

The obligation to conduct mandatory environmental and human rights due diligence is gaining traction around the world, with several countries and regions adopting or considering legislation around it. This reflects a growing recognition of the significant role that corporations and banks play in promoting sustainable development and protecting human rights, as well as the need for greater accountability and transparency in business practices.

Non-Financial Reporting Directive (NFRD)

The Non-Financial Reporting Directive (NFRD) is a European Union directive that requires certain large companies to disclose non-financial information. In 2019, the NFRD Climate Guidelines were published, adding specific climate related disclosure recommendations. In principle, these are recommendations and hence non-binding, but the ECB expects banks to comply with these guidelines. There is a high overlap with the EBA Pillar III ESG reporting requirements. Next to that, the upcoming binding CSRD will replace the NFRD Climate Guidelines.

The NFRD applies to listed companies, banks, and insurance companies which have more than 500 employees, meet certain turnover or balance sheet total thresholds, and operate in the EU.



Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) is a regulation by the European Commission to revise and replace the existing Non-Financial Reporting Directive (NFRD) with a more comprehensive and robust reporting framework for sustainability-related information.

CSRD MAIN DIFFERENCES WITH NFRD

- The scope will drastically increase. As of 2024 (first time reporting in 2025 in Annual Report 2024), only current NFRD companies (among other banks) must comply, whereas by 2025 all large companies will need to report according to the CSRD requirements. In 2026, all SMEs will also be required to comply.
- While the NFRD (2019 Climate Guidelines) focused on climate change, the reporting standards of the CSRD are structured around the full ESG spectrum, for e.g., inclusion of biodiversity and workers in the value chain.
- CSRD disclosures will require limited assurance from a third party.

While at first sight the CSRD sounds like a reporting exercise, the requirements are much more far reaching than reporting.

Firstly, companies will have to do a double materiality assessment to identify which ESG topics are mandatory to report on ('climate change' and parts of 'own workforce' are mandatory for all companies) companies should also develop strategies and targets to reduce their impact.

Next, policies and action plans need to be created to reach those targets. Reporting on those areas and many metrics to track progress is the last step. The metrics should also not be underestimated, as underlying data is new and usually not readily available. One such metric is for instance the scope 1, 2 and 3 greenhouse gas emissions of the company. This requirement will need major effort and will be a project.

EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

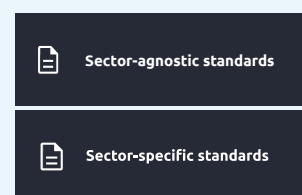
5 REPORTING AREAS



REPORTING TOPICS



2 REPORTING STANDARDS





DOUBLE MATERIALITY

Double materiality is a new concept in CSRD (although already introduced in the NFRD) and refers to financial materiality (the traditional concept) and impact materiality.

In sustainability terms, this means that an ESG topic is material from an impact perspective if it is connected to actual or potential significant impacts by the company on people or the environment over the short-, medium- or long-term. An ESG topic is material from a financial perspective if it (may) triggers significant financial effects (positive or negative) on the company.

If sustainability impact, risks or opportunities are material from either a financial or impact perspective (or both) these sustainability matters must be included in CSRD disclosures.

CSRD related Challenges

Companies are anticipated to encounter several challenges in the realm of Environmental, Social, and Governance (ESG) reporting:

- Ensuring Data Completeness and Accuracy: Sourcing and verifying ESG data, especially for complex supply chains and indirect impacts, can be daunting. Further insights into these challenges and potential solutions can be found in Chapter 3.
- Incorporating Diverse ESG Data into Existing IT Architecture: Integrating ESG data with financial data for analyses and reporting requires a transformation of the current IT architecture to accommodate the complexity and diversity of the data.
- Organizational Impact Beyond Financial Implications: The new reporting requirements will have a broader organizational impact beyond financial aspects. Aligning roles, responsibilities, and governance structures with this new focus is crucial, necessitating the development and implementation of target operating models.
- Mobilizing Stakeholders at All Levels: Successful CSRD (Corporate Sustainability Reporting Directive) implementation involves engaging stakeholders at every level of the organization. This may prove challenging, as it requires mobilizing teams and achieving alignment. Resistance among affected employees due to changes in Business as Usual and adapting to new Key Performance Indicators (KPIs) must be addressed through careful change management.
- Adapting to the Dynamic Nature of CSRD: As reporting standards are still being prepared, the CSRD remains a moving target. Organizations need to stay vigilant and keep a close eye on developments in the Environmental, Social, and Reporting Standards (ESRS) while adopting an agile project approach.

By addressing these challenges proactively, companies can enhance their ESG reporting processes and reinforce their commitment to sustainability and transparency.

In our view, the most compelling reason for companies to implement CSRD requirements in their operations is the transition towards a low carbon economy and hence, long term survival. With the expected sharp rising of CO2 prices, the expansion of the Emission Trade System (ETS) to more industries and the upcoming carbon tax (CBAM), enterprises with comparatively large footprints will be at a competitive disadvantage whereas at the same time, a strong sustainability performance can enhance a company's reputation and brand, making it more attractive to customers, investors, and employees. Sustainability reporting can spur innovation and drive the development of new products, services, and business models that are more sustainable. Finally, it can help companies identify and manage sustainability risks, such as environmental and social risks in their supply chains.

Green Bond Standard

The Green Bond Standard is a set of guidelines or criteria that define what qualifies as a green bond. A green bond is issued to finance environmentally friendly projects such as renewable energy, energy efficiency, and sustainable water management.

The standard ensures that the bond proceeds are allocated to environmentally friendly projects and that the bond issuer reports on the environmental impact of the projects financed by the bond. The standard can be set by a government, industry association, or other relevant organization, and it can help investors make informed decisions about their investments in green bonds.

Markets in Financial Instruments Directive (MiFID) II ESG

MiFID II (Markets in Financial Instruments Directive II) includes requirements for financial firms to consider environmental, social, and governance (ESG) factors when providing advice to clients on investments. These requirements aim to ensure that investment recommendations consider the wider impact of a company or investment on society and the environment, as well as its financial performance.

Under MiFID II, financial firms must consider at least one of the following ESG factors when providing investment advice:

- **Environmental:** The impact of a company or investment on the natural environment, including issues such as climate change, pollution, and waste management.
- **Social:** The societal impact of a company or investment, including issues such as employee rights, community relations, and diversity and inclusion.
- **Governance:** The quality of a company or investment's governance structures and policies, including issues such as executive pay, board independence, and transparency.

In addition, financial firms must disclose to clients how ESG factors are considered in their investment recommendations and provide regular updates on the performance of ESG investments. Failure to comply with these requirements can result in fines and reputational damage for financial firms.



3. DATA CHALLENGES AND OPPORTUNITIES

Sustainability is no longer a vague term - companies and banks need to start measuring it and act upon it. The first set of sustainability regulations, as outlined in chapter 2, focusses on measuring sustainability. As banks' impact on the environment and society is through the companies and activities that they finance, banks need to measure and report on ESG metrics of their clients. And to do that, the right data is needed. Think of energy labels of collateral, the greenhouse gas (GHG) emissions generated by large corporates and SME clients, and the loans provided to companies or projects that are EU Taxonomy aligned, i.e., can be considered sustainable according to the EU Taxonomy.

There are several challenges arising from these regulatory requirements:

1. Data collection: A lot of the required data is not collected by banks yet. It needs to be gathered by asking clients directly, buying it from third parties, or by creating and leveraging data ecosystems. Even then, a lot of data will not be present and workaround solutions need to be put in place to manually gather underlying data or use proxy data and calculation methods to make estimations.

2. Data management: Because the set of regulations simultaneously addresses all levels within the organization, banks need to define their data strategy around sustainability. They need to find a balance between embedding it into the current operating models, while ensuring necessary guidance with domain expertise. This web

of dataflows needs to be set and managed efficiently by reusing as much data as possible, which requires a reformed approach to data governance and the overall IT architecture.

3. Data reporting: Eventually the collected data needs to be reported externally but also internally to get insights into the ESG performance of the loans and investments and steer the bank and its clients towards a more sustainable future. This requires amendment of the current way of working across the organization to create, report and act upon the sustainability KPIs and KRIs.

There are also opportunities arising from sustainability data. Most banks are already offering sustainability-linked products. For instance, the interest rate of a loan depends on pre-set sustainability targets. But there are still other opportunities that can be seized:

1. Client advisory: Business clients often need steering regarding their own ESG data, as some of the regulations will also apply to them. As a result of the steep learning curve for banks driven by the regulations, their expertise can be useful to their clients. Not only by raising awareness among clients about the upcoming mandatory regulations, but also by offering help with increasing their data availability. This is a win-win situation as banks require this data from their clients as well.

2. Embedding sustainability in banking apps: Customers are increasingly aware of the fact that the choices they make as to what to buy has a substantial impact on the environment. Many people want to lower their impact, but information to compare products is lacking. Also, short-term rewards are missing to make the most sustainable choice, so most people base their decision only on the price of a product, and these prices do not include the negative effects on the environment (yet?). By combining transaction data with GHG data, and by including a gamification element (think of rankings, levels etc.), a "carbon tracking app" can be built. By embedding this feature in existing banking apps, these apps can become the new medium for customers to realize their desire to lower their impact.

Measuring sustainability is just a first step and not a goal by itself. With insights in the current ESG performance of banks and companies, goals can be set on for instance GHG reductions, and progress can be monitored. Before this becomes enforced by law, it is recommended to start shaping the road to a sustainable future now.

Depending on the sector, the appropriate data collection strategy may differ. Financial institutions need data from their clients. Based on their reporting maturity, preparations are

necessary for after CSRD grace period in which a model-based approach can be sustained. For instance, sustainability data on mortgages is currently often obtained using the PCAF methodology, distributing footprints based on energy labels and exposure classes. Assessing footprints based on the individual mortgages themselves would mean obtaining energy bills, showing volumes and type of energy involved. Automating this data collection has major GDPR implications, highlighting the dependencies here, but also the need to prepare early.

For manufacturing and trade firms on the other hand, the challenge is mostly obtaining reliable social and environmental information from their supply chains. Global supply chains may vary in reporting maturity, often not being in scope of the CSRD themselves. Modelling footprints is a temporary way out for GHG emission reporting, but less so for the biodiversity or social criteria involved. In our experience overcoming the reluctance of value chain partners to report in the first place, it is often the most time consuming first step. Once again, a good reason to start preparing for the CSRD early.



4. SUSTAINABILITY DATA SOLUTIONS

ESG regulations have a significant impact on Financial Services Organizations. Not being compliant means the risk of huge fines, set aside the reputational damage that it might cause, since consumers and many other stakeholders nowadays expect organizations to positively contribute to society and the environment.

Being ESG compliant and being transparent in terms of measuring and reporting accurately and consistently on what organizations do to reduce their negative impact and mitigate risks is a pre-requisite for proof and customer trust.

In that sense ESG reporting has become a business-critical element. Whilst financial reporting is very mature and has been developed over the years, ESG and especially CSRD related reporting is purely non-financial and still at its' infancy. On top of that it needs to be developed and implemented at the same time.

There are many other challenges related to ESG reporting. As mentioned before the biggest one is around underlying data. Many organizations lack a unified data strategy, rely on manual processes, and must often deal with missing, fragmented, siloed data

from ever expanding (in- and external) data sources.

Second is the dynamic regulatory environment as seen in the previous chapter and regulation scrutiny in which regulators are asking for data gap analysis and remediation in case reporting outcomes are unclear.

Lastly, it is the inability of organizations to effectively integrate ESG data into decision-making and forward-looking action. Lots of organizations still missing connected data for the last mile to enable a single view.



The risks of poor sustainability data management

Poor management of sustainability related data also comes at an inflated cost. Besides, non-compliance can lead to fines and poor sustainable data management can weaken the ESG performance making the company less attractive to investors. Insufficient sustainability data oversight can result in resource scarcity and supply chain disruptions, escalating operational risks. Besides, lacking actionable insights prevents companies from innovating, harms competitive positioning and can result in losing market share.

Manual processes are labor intensive and lead to high operational costs and high audit costs. They are error prone and therefore there is a risk of generating incorrect or invalid data. Also, the resulting inability to support marketing and communications pledges with evidence leads to reduced market reputation, negatively impacting sales, and ability to attract talent.

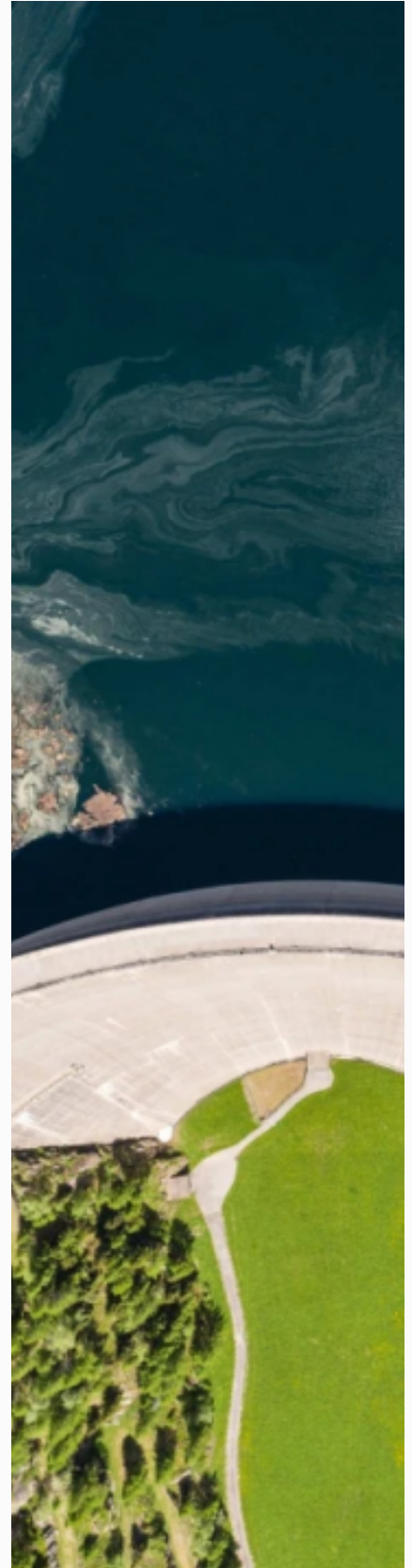
How to address the data challenges?

Information Technology is at the heart of a comprehensive transition to sustainable business operations and the CIO should play a critical role since data plays a pivotal role. Not only is data required for ESG reporting; data is also the foundation on which the transformation must be built, since it generates the pivotal insights to manage and drive innovation.

Data enables a successful evolution of the financial services business through high value levers. Embedding ESG performance throughout “business as usual” and integrating ESG data into core activities, especially across credit value chains and investment value chains, is highly impactful. At the intersection of strategy, regulations and market best practices, data will be the key enabler to drive your business, monitor your impact, manage your risks, and report to your stakeholders.

Trusted data, the foundation!

To ensure trusted, up-to-date and accurate sustainability data which can be used for reporting and other purposes, as a foundation you need to establish a good data framework, consisting of a strong data governance and a centralized golden source of consistent data through automated, standardized capturing processes.



How to achieve a strong data governance

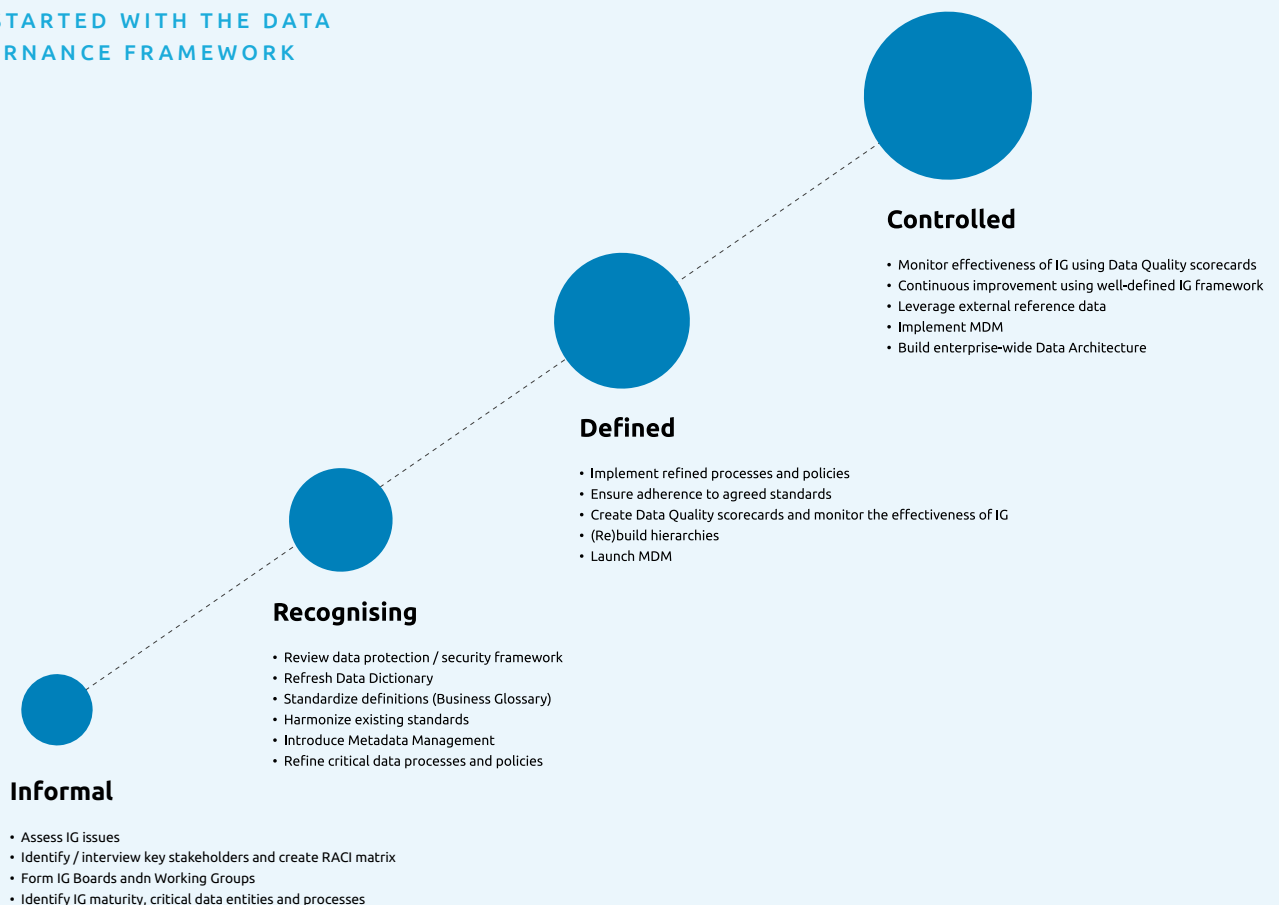
Establishing a strong data governance framework that incorporates data quality and ownership is crucial for organizations to effectively manage their data assets. This framework ensures that data is accurate, reliable, and available for the right stakeholders while complying with regulations and internal policies.

What is required is a highly flexible and collaborative data governance model that ensures information is leveraged and consistent across the enterprise. The governance model includes roles and responsibilities (data governance council, data owners, data stewards, and application owners),

processes (data change and approval process), enterprise standards (Business Information Repository and policies) and technology (data governance tools).

Capgemini's QuickStart Methodology is a step-by-step approach to business process improvement. It consists of three steps: first, identifying the most critical and urgent data domains; second, identifying work streams that are high value and need immediate attention; and third, assigning priority to these work streams based on their importance to the company's overall ESG business strategy. The first part of the process breaks down all the significant work into manageable deliverables.

GET STARTED WITH THE DATA GOVERNANCE FRAMEWORK



Automation and one single data-source

Next to a strong governance you need to automate processes to produce, collect and integrate data and consolidate the data into a single source of truth through a transparent and auditable process.

Key is the ability to centrally locate the 'scattered' ESG Data which resides in multiple sources like business managed tables and external databases. Next to that automated processes and systems are needed to help reduce human error. Automation also helps avoid (re)work of collecting, verifying, and publishing data. It also enables scalability for future sustainability use-cases, like strategy formation.

By automating the processes of data production, collection, integration, and consolidation, the centralized and accurate data repository becomes a reliable foundation for making data-driven decisions and driving business success.

This is the process of discovery of data attributes in the various sources across the enterprise and the lineage of the data attributes. This process can be automated, increasing the quality and trust of the information recorded.

This activity is required through all the layers of the architecture and is a part of your data governance framework assessment i.e., mapping of ESG data lineage across processes (from origination to data consolidation & reporting). Capgemini can help you with understanding what tooling you need and how to use the tooling in your environment that is aligned with your data strategy.

Ensure traceability of your data to make them auditable.

Ensuring auditability of data through transparency, context, and lineage is crucial for building trust in data and providing a clear understanding of its origin, transformation, and usage. In this step you must consider what happens with your data whilst capturing and storing but also consider the regulatory limitations of the disclosure of data to only the relevant people (e.g., GDPR). Besides, you always need to keep your data secure and protected.

By incorporating transparency, context, and lineage into your data governance practices, you create a robust audit trail for your data. This allows auditors, stakeholders, and data consumers to have confidence in the data's accuracy, integrity, and compliance with regulations, while also providing valuable insights into the data's history and its relevance to organizational decision-making.

In the end, enhanced insights and predictions can be made available for 'business' stakeholders through data marketplaces. A data marketplace offers an alternative to traditional data sharing methods, which require an organization to share physical copies of data with the data consumers. This approach results in static versions of data being shared, which require frequent updates.

In addition, this process is cumbersome, costly, risky, and can lack the ability to secure sensitive information or prevent data breaches. Data sharing capability enables authorized members of a cloud ecosystem to tap into live, read-only versions of the data.

This allows organizations to share subsets of your data easily and securely, as well as receive shared data in a secure and governed way. For example, with tools like Snowflake, Databricks, Microsoft Azure and Informatica.

- Leverage public data sets from the data marketplace and combine those data sets with your own data to gain even deeper insights and make data-powered decisions.
- Create and host customer's data in a secure environment, giving their users the ability to discover and securely access shared data directly from their account.
- Create customer's own data exchange and invite their employees, subsidiaries, partners, customers, and others to securely access their data sets without having to move, copy, or transfer that data.

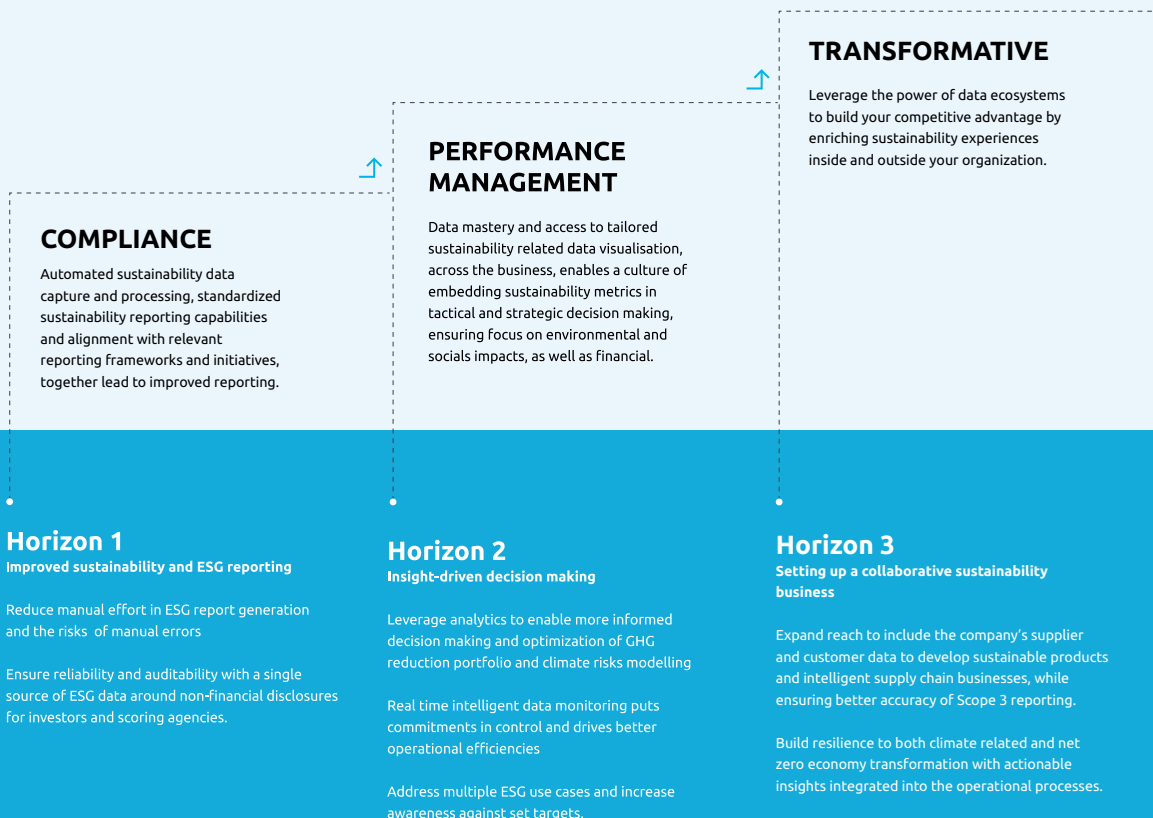
Act on your carbon accounting with Data for Net Zero

Mastering data is crucial to keeping your business current and competitive. And - as we have shown - to accomplishing sustainability maturity. You need to implement the same level of controls in carbon accounting as you do in financial reporting. Once trusted, your ESG data can become the lifeblood of your organization, opening horizons and creating new paths to deliver exciting and unimagined outcomes. Data for Net Zero helps you make the most of data to accelerate and secure your sustainability transformation.

MULTI-HORIZON SUSTAINABILITY TRANSFORMATION JOURNEY

Activate dedicated data capabilities and evolve over time

Once immediate pressures to evolve reporting capabilities are addressed, leverage sustainability data-driven opportunities to drive positive environmental and social impacts and increase resilience with sustainability data insights.



Our Data for Net Zero approach seamlessly utilizes net zero intelligence to build resilience, reducing climate and business risk. Our approach is to support you at any point of your environmental data journey.

This approach is based on profile and maturity, and we support each CxO to set up a net-zero-intelligence nerve center at the crossroad of all enterprise functions, converting their climate pledges into tangible insights.

As part of our overall sustainability framework, Data for Net Zero is seamlessly utilizing net-zero intelligence to build resilience and reduce climate and business risks by addressing three main objectives:

- Measure to steer progress
- Improve to reduce impact
- Anticipate, adjust the climate action plan

Underpinned by an enviable record of accomplishment in data strategy, governance, analysis, and the deployment of data solutions and platforms, we make the best of data to secure net-zero transformations through three entry points:

- **Data strategy for Net Zero**
Data Strategy for Net Zero offers clarity to help organizations navigate the complexity of regulatory frameworks in order to achieve compliance. It conducts data projects and indicators; implements organizational models and governance; enables the right technologies and solutions to be deployed; and orchestrates the optimum data partner ecosystem.

• Sustainability Data hub

Sustainability Data Hub enables granular activity data identification to feed the data hub with your external emission database. It initiates industrialized data collection through the deployment of automated ingestion and normalization pipelines and inference algorithms. And it allows data management and technological platform design and set up. The hub also establishes data founded insights measurement and facilitates data models packaging to enhance sustainable analytics and reporting.

SUSTAINABILITY DATA HUB

Briefly:

- Central source of truth for sustainability data
- Consolidates internal and external data (from various sources)
- Models data onto a common sustainability data model
- Supports sustainability business use cases
- Enables insights activation

Sustainability Data Hub is a centralized single data repository for governance and analytics across the full lifecycle of ESG data: for efficient sustainability data analysis and decision-making. Underlying it is a robust and secure IT infrastructure, capable of handling large volumes of data and supporting advanced analytics and data processing tasks.

Having a single source of truth of data for ESG reporting and analytics provides a strong basis for sustainable initiatives, driving performance with trustworthy data and reliable metrics. It is a simple functional solution designed with SDH at heart. Compatible with any technology architecture approach, using Capgemini accelerators.

BENEFITS:

Trust:

Reduce risks and improve reputation through trusted data

- Data Governance: Instill strong data governance with data quality and ownership
- Auditability: Ensure auditability of your data through transparency, context, and lineage
- Security: Keep your data secure and protected

50%
Reduction in sustainability data auditing costs

Efficiency:

Reduce costs, improve efficiency and agility through automation

- Automation: Accelerate data integration and processing through automation, reducing risk of error and supporting growth
- Modelling: Apply a common data model and data as products approach to facilitate data consumption and sharing
- Agility: Rapidly satisfy your emerging business needs

>60%
Time saved collecting, validating, and sharing data

Insights:

Meet sustainability ambitions and transform business through insights

- Monitor & Report: Monitor progress and report on your performance
- Predict: Create predictive insights for decision making and sustainable transformation
- Share: Easily share your data with internal and external stakeholders

The right blend of automation, AI (Artificial Intelligence), and governance can reduce the cost of ESG reporting and monitoring. Taken together, these benefits make it much more likely that sustainability data gets embedded in decision-making processes.

4.6%
Avg. annual reduction in emissions by embedding emissions data in decision making

- **ESG data performance**

ESG Data Performance provides ESG insights and performance measurement; enables ESG reporting automation in accordance with frameworks and indices to comply with regulations and meet expectations from investors; and organizes the steering and governance of the transformation.

ESG REGULATORY REQUIREMENTS FOR GLOBAL BANK

In our collaboration with a global financial institution, we looked at how the ESG regulatory environment will impact the business. First, we analyzed how ESG regulatory requirements will impact operational processes, reviewing, documenting, and organizing the Group's initiatives on ESG. Next, we assisted the organization's ESG expert committee to define and implement its ESG roadmap. Then we established an ESG architectural league to integrate ESG into the Group's IT architecture. And we also assisted in inserting ESG data management into existing processes.



5. WHY CAPGEMINI?

We are Champions building end-to-end data platforms

- We have built and implemented multiple data platforms for the public sector, financial institutions, and corporates across the world.
- Our end-to-end approach includes all dimensions required to foster the platform adoption and usage (user centric approach, ecosystem growth capabilities).

We are experts on climate disclosures standards ESG regulations and methodologies

- We have analyzed various climate disclosure standards and built an extensive knowledge of the regulatory landscape.
- We have led more than 100 projects over the last 6 months on regulatory topics.
- We support corporates and financial services implementing climate standards (PCAF framework, SBTi standards, GHG protocol, PACTA, ...), analyzing the impacts of CSR norms and standards on client portfolio strategy and complying with regulatory requirements (Taxonomy, SFDR, CSRD, ...).

We helped our clients in measuring their ESG performance from the data strategy to the reporting

- We help our clients reduce their environmental impacts since 2011 across all sectors, defining Net Zero strategies & new business models, implementing sustainable products & services and Green IT, and leveraging data for risk modeling, trajectory modeling data modeling for carbon accounting and reporting purposes.
- We bring together a unique blend of capabilities, technologies and expertise and foster synergies between our capabilities to address all climate transition challenges, from commitment to sustainable achievements.

We have developed a unique vision and value proposition with our strategic partners

- We have a strong partnership with the Linux-OS climate data platform.
- We have global partnerships with multi-region cloud platforms and leverage their expertise to develop joint Go-to-Market strategies and offers.
- We have been sharpening our Sustainability knowledge and have delivered 65+ Research reports and Point of Views on Sustainability.
- We are a CDP Gold accredited partner; CDP has recognized the competencies and experience of Capgemini in helping corporates and financial institutions through their decarbonization journey.

We master the entire decarbonation chain and emission reduction plans across industry sectors.

- We assisted over 250 corporates in the entire decarbonization chain including the definition of their emission reduction trajectories.

Our in-depth analysis of over 400 companies' emissions data and decarbonization solutions enriched our 25 sectorial blueprints and knowledge of industries decarbonization levers.

6. CONCLUSION

A robust ESG data strategy is no longer an option but rather a necessity for financial institutions. It requires a scalable, reliable & future-proof ESG data foundation to address ever-evolving regulatory challenges, effectively manage risks, make informed decisions, and align business objectives with sustainability targets.

As the saying goes, 'what gets measured gets managed,' emphasizing the importance of continuously refining ESG data strategies. In the end, it empowers financial institutions not only to meet current ESG demands but also to future-proof their operations.

WANT TO KNOW MORE?

PLEASE CONTACT ONE OF OUR EXPERTS.



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ABOUT CAPGEMINI INVENT

As the digital innovation, design and transformation brand of the Capgemini Group, Capgemini Invent enables CXOs to envision and shape the future of their businesses. Located in more than 36 offices and 37 creative studios around the world, it comprises a 10,000+ strong team of strategists, data scientists, product and experience designers, brand experts and technologists who develop new digital services, products, experiences and business models for sustainable growth.

Capgemini Invent is an integral part of Capgemini, a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 360,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2022 global revenues of €22 billion.

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