

CCH Tagetik
ESG Expert Solution
for Banks



Wolters Kluwer

ESG demand

During the last 12 months, there has been an exponential drive for ESG performance and reporting and a growing request for companies to build a strong connection between financial and non-financial performance. With growing pressures from regulators and investors, companies are to turn their ESG risks into opportunities to facilitate sustainable business value creation.

The needs:



Meet the new
mandatory regulatory
requirements



Match the conditions to
have access to capital



Facilitate ESG decision making,
thanks to converged financial
and non-financial information

Overview & context

Financial



ACCESS TO CAPITAL

- **Investors, banks and insurances rating** based on current and planned ESG performance
- **Will condition access to capital** (Investors' rating, Banks loans, Insurance prime conditions,...)

Governance & Compliance



REGULATORY COMPLIANCE OBLIGATIONS

* New disclosures:

- **Global** - Internal Finance Reporting Standards (IFRS) global sustainability financial reporting standards
- **EU** - Corporate Sustainability Reporting Directive (CSRD) and European Union (EU) Taxonomy
- **USA** - Securities and Exchange Commission (SEC) issues new climate disclosures
- **APAC** - ESG disclosure by the Shanghai and Shenzhen SE, ESG mandatory to be listed in Hong Kong

* New commitments sources of coming regulations:



Digital Transformation



DATA MANAGEMENT COMPLEXITY

- **Data Collection, check, enrichment and processing** – Multiple and heterogeneous ecosystems
- **Data Convergence** – Align non-financial and financial data
- **Strategic Planning** – Elaborate, disclose and execute on long-term sustainability strategy

Timing

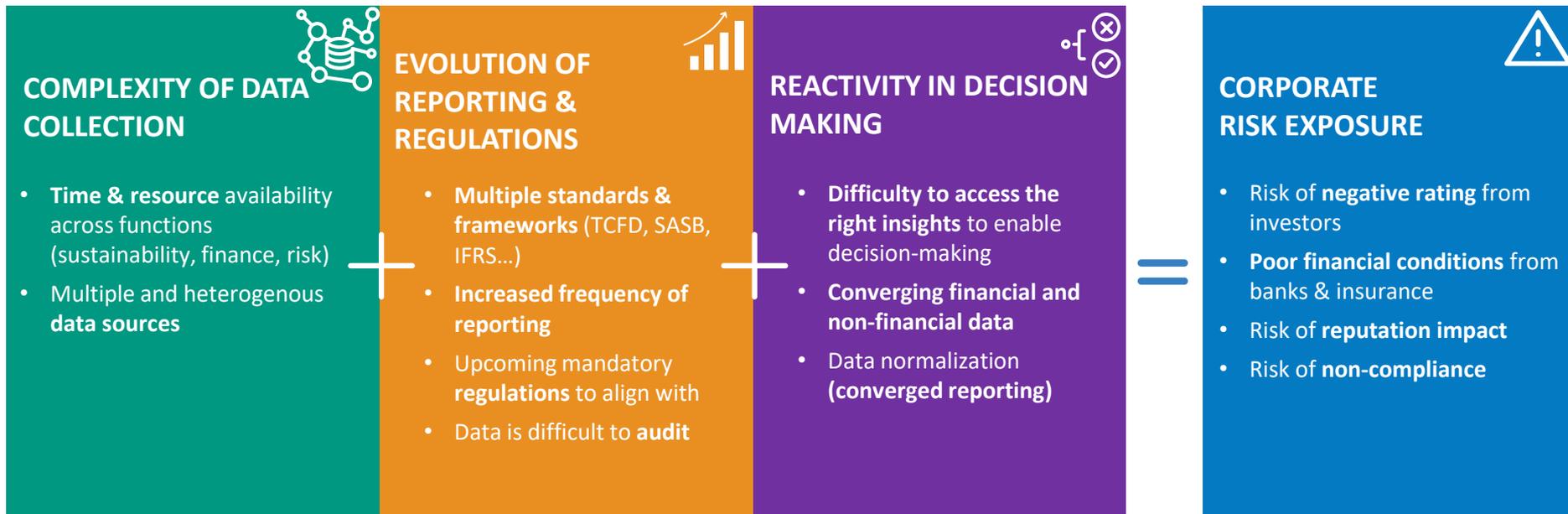


MULTIPLE REGULATORY REPORTING REQUIREMENTS UPCOMING

- **2022:** EU taxonomy 1st reporting ; SFDR transparency requirements for annual report ; European Commission first set of sustainability standards
- **2023:** EU taxonomy 2nd reporting ; European Commission 2nd set of sustainability standards ; Reporting obligations under the EU CSRD (Corporate Sustainability Reporting Directive)

The challenges

*Companies are expected to **link financial performance and ESG performance** based on auditable data, in a shorter amount of time to have a full coverage of risk and opportunity management*



The CFO is the most impacted persona

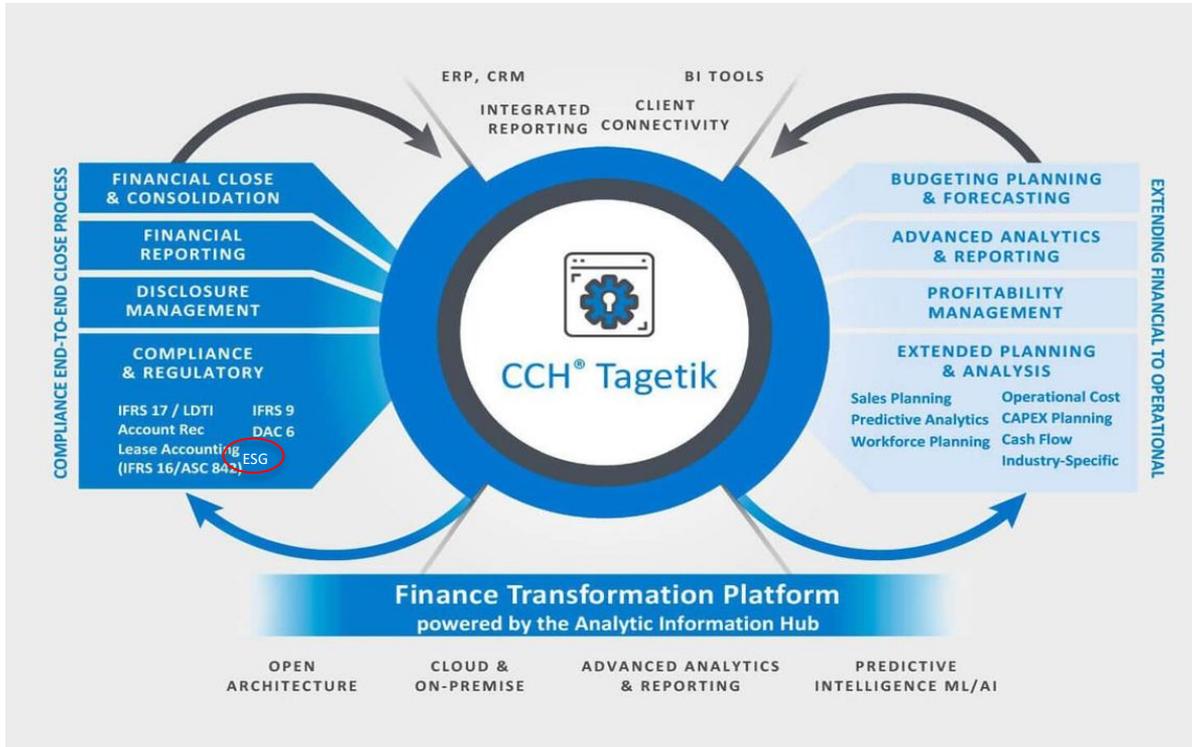


We help CFO turning ESG into sustainable business value

CCH Tagetik ESG Solution focuses on **converging financial & ESG performance**, reducing risks and providing the CFO and other key actors with strategic information



How does CCH Tagetik support ESG process?



The new ESG expert solution will **enrich our portfolio.**

It will leverage the power of **CCH Tagetik Finance Transformation platform** and it will leverage its existing critical capabilities, especially in terms of **Analytic Information Hub.**

What does CCH Tagetik offer?

*CCH Tagetik by leveraging its existing critical capabilities can cover the ESG process end to end, boosting the implementations thanks to an **Expert Solution** that combines all the regulatory frameworks in a single application*



Enhance and automate data collection

- High data source flexibility
- Built-in data preparation
 - Data quality



Improve sustainability monitoring the entire process

- Built in KPIs calculation
- 100% auditable

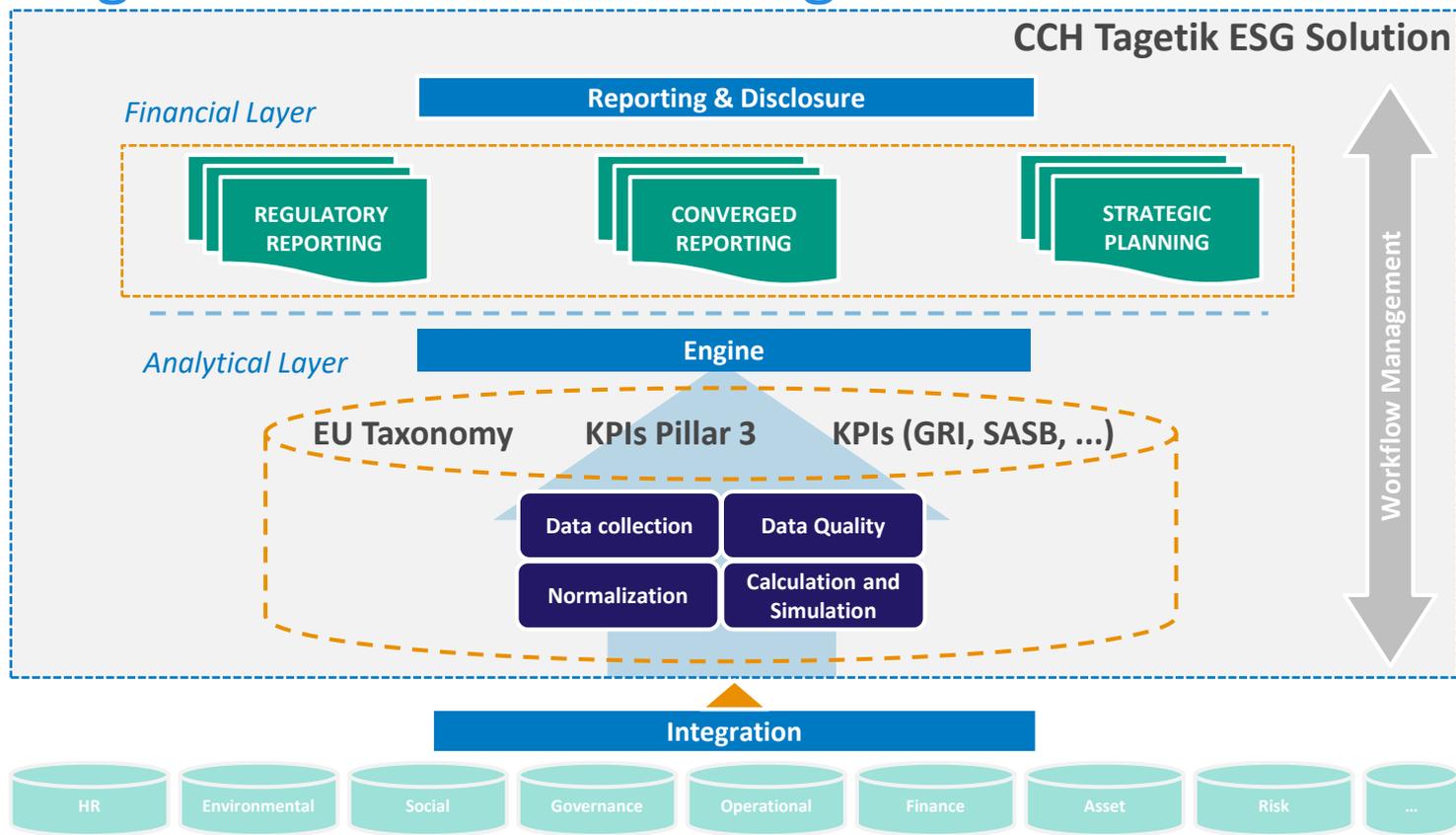


Improve stakeholder's perception

- EU Taxonomy
- All main frameworks (GRI,SASB,..)
- Actual & forecast reporting

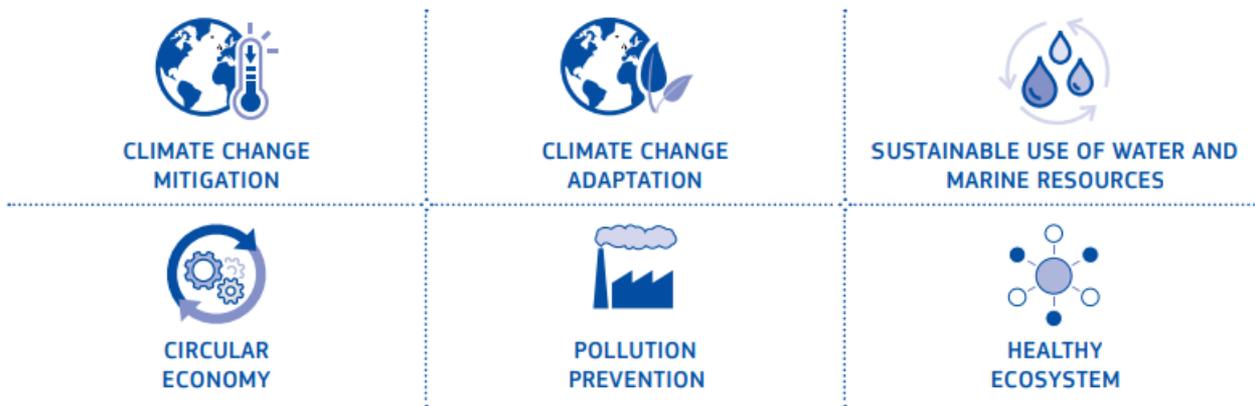
*The ESG Expert Solution **guarantees the compliance with regulatory updates***

CCH Tagetik ESG Solution – Target architecture



EU Taxonomy

The Taxonomy is a **unified classification system** that identifies if an economic activity is **environmentally sustainable**. To qualify as green an investment would need to contribute to at least one of following **six objectives**



The Taxonomy Regulation applies to financial market participants that offer financial products, **financial** and non-financial undertakings within the scope of Directive 2014/95/EU (**NFRD**)

EU Taxonomy timeline

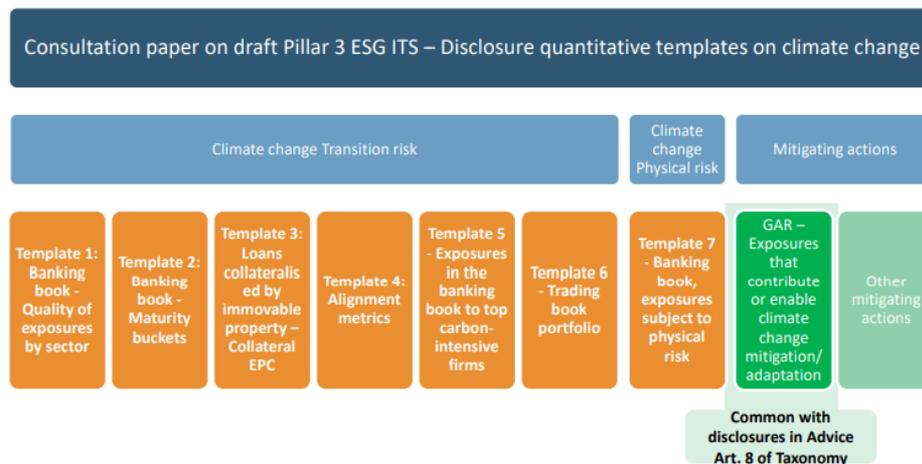
CCH Tagetik ESG Expert Solution covers any KPI calculation and disclosure requirements in the scope of Article 8(1) of the Taxonomy Regulation for undertakings that are required to publish non-financial information under the NFRD on how and to what extent their activities are associated with environmentally sustainable economic activities.

	2022 Year End 2021	2023 Year End 2022	2024 Year End 2023	2025 Year End 2024	2026 Year End 2025
Eligibility / Alignment	Eligibility only	Eligibility only	Alignment	Alignment	Alignment
Taxonomy objectives	1 and 2	1 to 6	1 to 6	1 to 6	1 to 6
KPI / Disclosure	<ul style="list-style-type: none"> Taxonomy eligible assets / Total assets Taxonomy non-eligible assets / Total assets Exposures to central governments, central banks and supernational issuers / Total assets Derivatives / Total assets Exposures not subject to NFRD / Total assets Qualitative information 		<ul style="list-style-type: none"> Total covered assets Green Asset Ratio (GAR) on stock GAR on flow KPI for off-balance sheet exposures KPI for fees and commissions (from 2026) KPI for trading portfolio (from 2026) Qualitative information 		
<ul style="list-style-type: none"> Climate Change Mitigation Climate Change Adaptation 					

Pillar 3 disclosures on ESG risks

*The European Banking Authority is consulting on disclosures for **Environmental, Social and Governance (ESG) risks under the Pillar 3 framework**. The draft technical standards provide ESG disclosures to ensure stakeholders are informed about ESG banks' exposures and sustainable finance strategies and to promote market discipline*

*The ITS introduces quantitative disclosures covering **transition risk, physical risk, and mitigating actions** (included the GAR for exposures that contribute to or enable climate change mitigation / adaptation, in common with disclosure for EU Taxonomy). The ITS requires also qualitative information on Environmental, Social and Governance risks*



Pillar 3 ESG risks timeline

CCH Tagetik ESG Expert Solution covers the data collection and the calculation of KPIs for qualitative and quantitative disclosures on environmental, social and governance risks, including transitional and physical risk, under Article 449a CRR.

	December 2022	June 2023	December 2023	June 2024
Qualitative disclosure	Full qualitative disclosure on Environmental, Social and Governance risks			
Transition risk	Phase in – Simplified version of templates			Full disclosure on CO2 emissions
Physical risk	Phase in – Simplified version of templates			Full disclosure on chronic and acute climate events
Mitigating actions	Phase in – Simplified version of templates			GAR on Taxonomy-aligned activities

The disclosure will be produced and managed into CCH Tagetik Pillar 3 Expert Solution module

Reporting frameworks

*CCH Tagetik ESG Expert Solution provides the calculation of KPIs, and the full disclosure required by the most common reporting frameworks and standard-setting organizations for the preparation of a **Sustainability Report***



*The Solution is widely flexible and offers the possibility to calculate **managerial KPIs** and to produce **custom reporting, disclosure and dashboarding***

*CC Tagetik constantly monitors the development of new regulatory frameworks to include them in the ESG Expert Solution (e.g., **EFRAG's EU Sustainability Reporting Standards**)*

CCH Tagetik ESG Solution – It's a Journey!

Approach

Expert solution
on top of
existing critical
capabilities



Horizon 1: by 12 2021

- Continue to **assess regulations**
- Cooperate with customers and partners to define the details of the **solution scope and validate market fit**
- Start building a **pre-package solution for standard cases, cooperating with customers**

- Focus on compliance to **EU taxonomy (phase1)** and **investor requirements** (e.g., ESG indicators)
- Focus on **GRI**
- **Disclosure**



Horizon 2: by Q2 2022

- Embed the **ESG in the CFO strategy stream**
- Standard Integrated reporting offer, **converging sustainability, risk and financial view**
- **Introduce modern concept** like AI and Data catalog in this domain

- **Taxonomy (phase2)** enlarge the coverage to the global market
- **Cover all relevant frameworks**
- **Risk KPIs**
- **Converged reporting & strategic planning**