SAP Fioneer

SAP Fioneer ESG KPI Engine –
Finanzierte Emissionen Messen & Managen

SAP Fioneer ESG Solutions

10. Juli 2024



Today's agenda

1	Intro SAP Fioneer ESG Solutions	 Stefan Malchow
2	Product Overview	 Stefan Malchow
3	Financed Emissions – Live Demo	 Martin Kaus
4	Q&A	All

Who we are: SAP Fioneer ESG Solutions

Today's solution focus

SAP Fioneer

We are a proven technology provider of end-to-end solutions serving **>1,200 banking and insurance clients** globally

We work with leading banks in the world...

J.P.Morgan, MACQUARIE, Deutsche Bank, ING, BARCLAYS, Morgan Stanley, Klarna., PayPal, NOMURA, Nationwide, Nordea, CNA, standard chartered, LLOYDS BANK, RBC, COMMERZBANK, DZ BANK

...and vertical specialists and innovative challengers

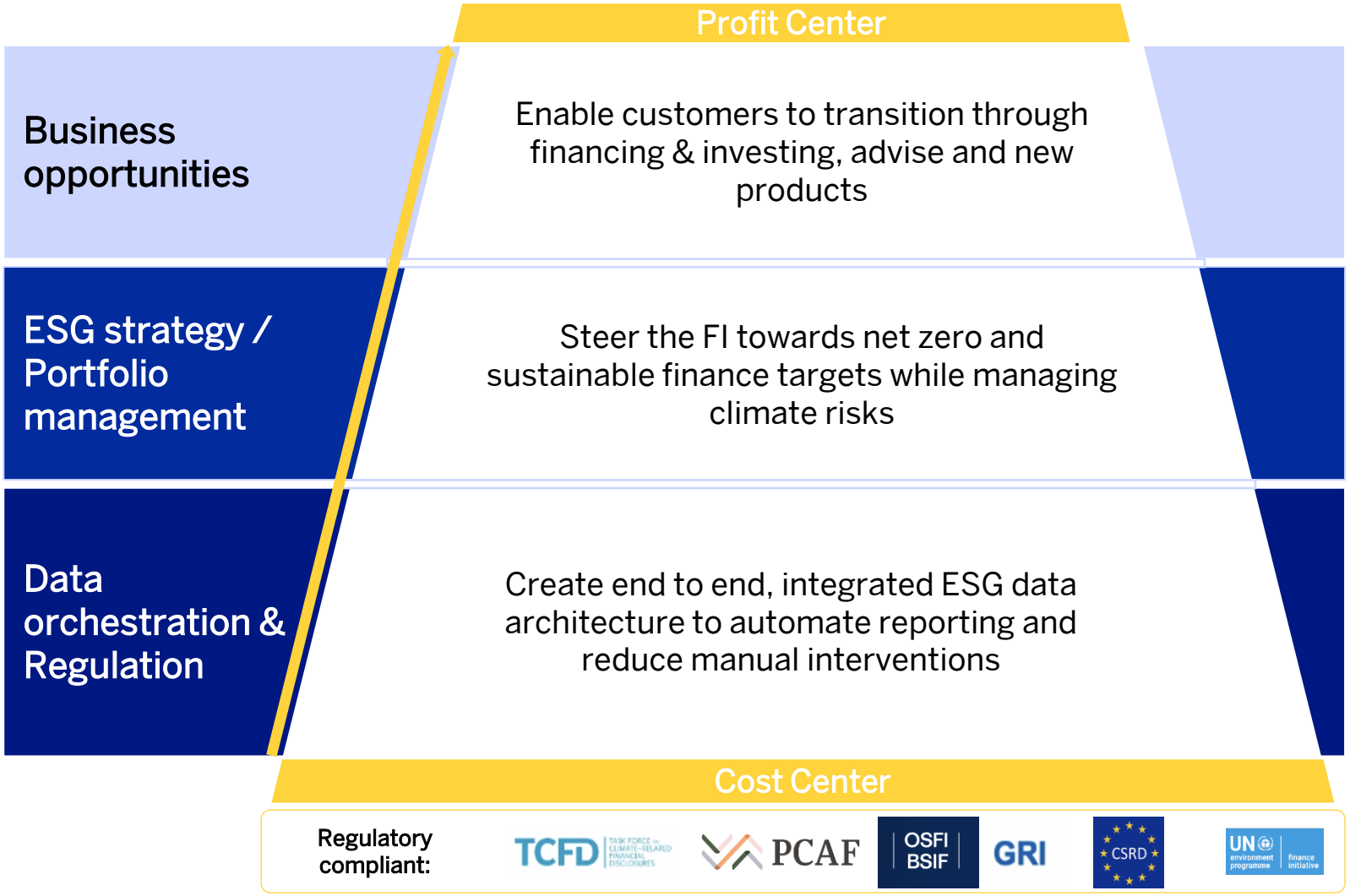
THE BANK OF LONDON, Rabobank, Hamburg Commercial Bank, *...and many more*

Holistic and standardized ESG solutions designed for the specialized needs of banks and insurers allowing them to take control of their ESG journey

Transactional Banking	Digital Banking	Cloud for Banking
ESG Data orchestration & KPI Engine	Liquidity Management System	Financial Service Data Management
Embedded Finance	Cloud for Insurance	...

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ESG Product Vision: From Cost Center to Profit Center

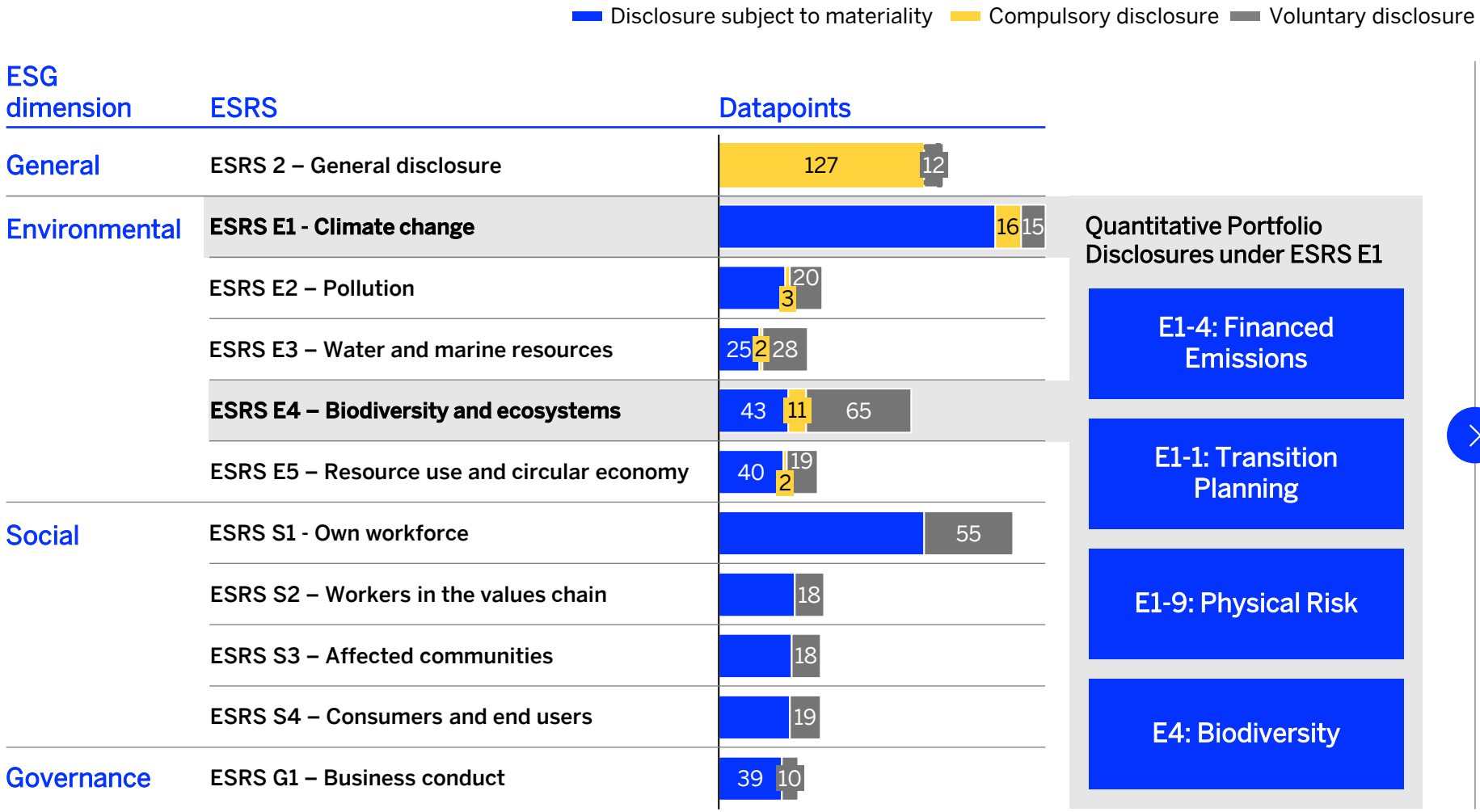


» **Flexible deployment models** on premise, in private cloud or as public cloud SaaS

» **Maintained Standard Software** with ongoing use case enhancement for holistic portfolio solution, regulatory updates, and individual set-up

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CSRD: Climate change under ESRS E1 requires by far the most data points to fulfill quantitative portfolio disclosures



For FIs the footprint from financing activities is 700x compared to own operations

Our ESG Software solution helps FIs to report quantitative portfolio disclosures with confidence

Source: McKinsey & Company

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Financial Institutions face challenges with their portfolio disclosures due to the granularity of data requirements and implications beyond reporting

Data, calculation granularity and auditability

Quantitative portfolio calculations need to be performed on **single loan & investment level**, each requiring data from **multiple internal and external sources**



Siloed ESG efforts across use cases and regulations

Relationship Managers, Risk, Finance and regulations such as Pillar 3, CSRD, ISSB all **require the same data, yet data collection/ ESG initiatives** are often not centralized



Real Business Implications

Net-Zero transition planning requires FIs to incorporate **ESG in the overall strategy** and **Day-to-Day decision-making on employee-level**



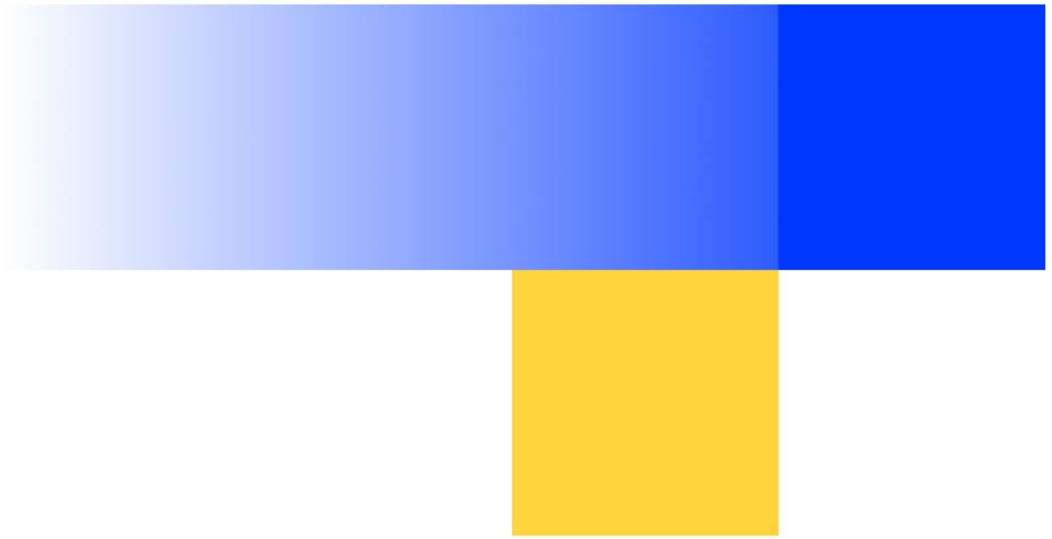
To ensure ongoing compliance with CSRD and other regulations, FIs need to invest in building a solid ESG data and tech-foundation to scale ESG across multiple use cases and teams

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Product Overview

ESG KPI Engine

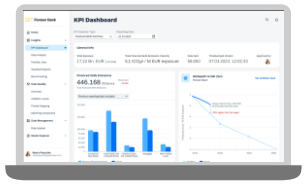


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We developed a solution blueprint for an ESG data and tech-foundation for automated data collection, orchestration and management

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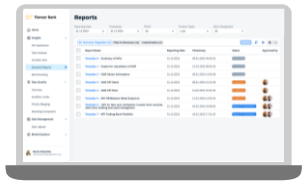
ESG Business opportunities



Risk & Portfolio management



Internal & External ESG Reporting



B

ESG Data orchestration and KPI engine

- Automated and Complex KPI Calculation
- Central Data Storage
- Data Orchestration, Validation and Quality Improvement

A

ESG data collection

- Bank/insurance internal data
- External ESG provider data
- Customer Data

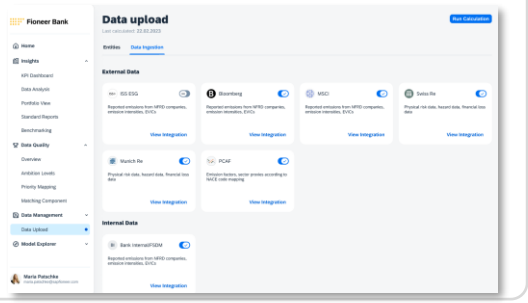
Critical solution components

- **Automated and complex KPI Calculations** performed at the highest level of granularity with pre-built data models aligned with leading ESG frameworks and regulations
- **Central ESG Data Storage from multiple data sources** for both complex and none-complex KPIs across the portfolio as single source for consistent reporting
- **Data orchestration, validation and data quality improvements** for identifying data gaps, external data enrichment and improved KPI results at lower risk

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Product Overview: Current and Future Use Cases

ESG Data Orchestration

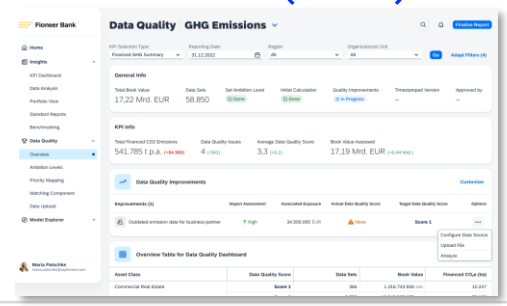


LIVE

- Orchestration of internal and external data sources
- Harmonized ESG data model
- Historization and audit trail for all calculations
- Regulatory updates included

Base to implement complex and none complex KPIs

Financed & Insured Emissions (PCAF)

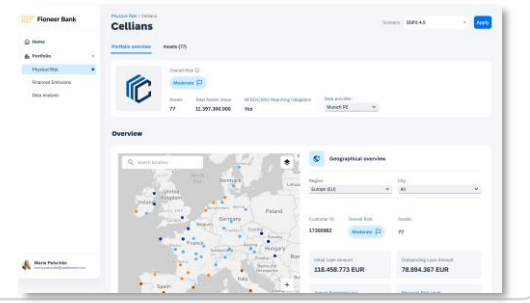


LIVE

- Calculation of financed CO2e in accordance PCAF at the highest level of granularity
- PCAF+ including further asset classes and logic for structured finance

Fully automate financed emissions baseline calculation and tracking

Physical Risk

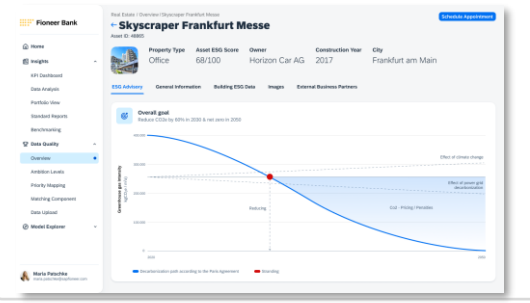


LIVE

- Pre-built connectors to physical risk data providers
- Identification of chronic and acute risks across 10+ perils and 3 temperature scenarios
- Incorporation of FSI-specific logic to accurately reflect credit risk

Understand and manage climate risks on transaction and portfolio level

Net Zero



Roadmap Q3-24

- Physical Intensity-based and absolute tracking against sector targets
- Display of net zero curves and counterparty level forecasting
- Change driver analysis to actively manage the portfolio toward net zero

Organically steer the portfolio towards net zero

Our proprietary ESG data orchestration approach helps to close internal data gaps and improve data quality



Step 1
ESG KPI and aspiration setting

Set ESG ambition per topic and determine necessary KPIs



Step 2
Internal data retrieval

Identify and collect data from bank internal



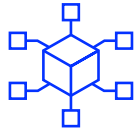
Step 3
ESG marketplace sourcing

Close data gaps by sourcing from ESG data vendors and use granular data proxies if data is not available



Step 4
KPI orchestration and initial calculation

Automatically clean, transform and calculate desired KPIs, identify data gaps and define additional input to improve data quality and KPI results



Step 5
Data enrichment and collection

Collect missing data from counterparties via questionnaire and prioritized by ESG impact



Step 6
ESG KPI evaluation

Calculate final KPIs based on enriched data, finalize reports, historization, audit trails and continuously track KPIs

Financed Emissions: A simple calculation

KPI Engine output
FI internal systems
Customer
Data provider

Financed Emissions = **CO_2e emissions of asset or corporate** × **Attribution factor**

Financed Emission Business Loan =

DQ 1 / 2
- **Reported data - Public**
- **Reported data - Private**

or

DQ 3
- **Physical activity** × **Emission factor**

or

DQ 4 / 5
- **Economic activity** × **Emission factor**

×

- **Outstanding amount**
- ÷
- **EV debtor**

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Automated Financed Emission Calculation for complete Portfolio based on PCAF Partnership for Carbon Accounting Financials

	DQ1	DQ2	DQ3	DQ4	DQ5
Real Estate Mortgage & CRE	Metered – supplier specific	Metered – avg. energy source	m² & EPC Rating	m² & building type & location	# of buildings & building type & location
Corporate Business Loans, unlisted Equity & Bonds	Reported & verified	Reported	Physical Activity	Economic Activity - Revenue	Economic Activity – Assets
Project Finance	Reported & verified	Reported	Physical Activity	Economic Activity - Revenue	Economic Activity – Assets
Corporate listed Equity & Bonds	Reported & verified	Reported	Physical Activity	Economic Activity - Revenue	Economic Activity – Assets
New asset classes/ methods	Ongoing updates & addition of new asset classes under PCAF standard				

DQ = Data quality

$86.6 Trn

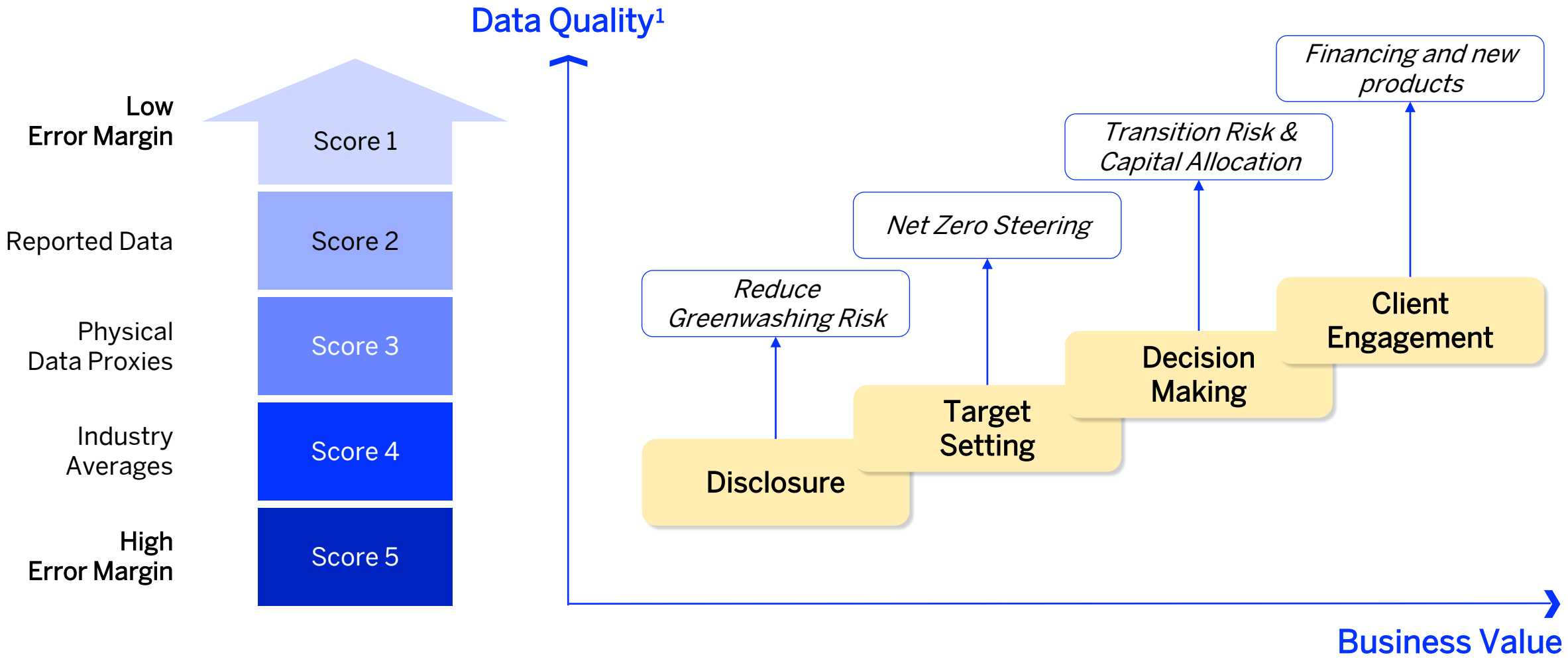
Assets of FIs committed to disclosing their Financed Emissions

PCAF calculation incorporated in SAP Fioneer KPI Engine

- Calculation methods cover all 7 PCAF asset classes and 2 insurance segments on all 5 data quality categories
- Pre-configured with open-source emissions factors
- Beyond PCAF asset class coverage (e.g. Shipping) and calculations (e.g. n:m loan: collateral relationship)
- Transparent calculations with audit trail

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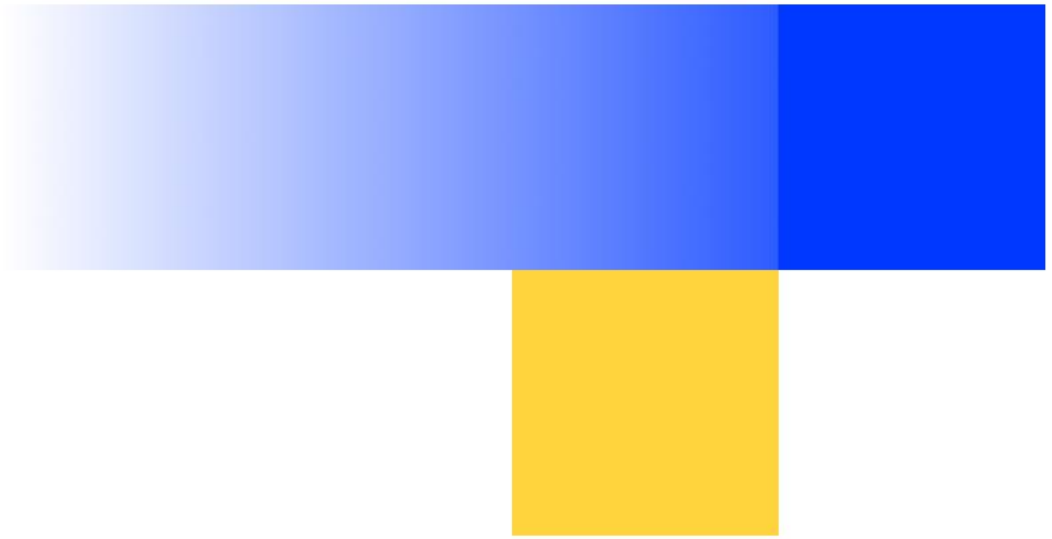
Why data quality matters and how we help you to improve it to unlock higher business value



1 PCAF includes a data quality scale from 5 (lowest certainty / lowest score) to 1 (highest certainty / best score) to indicate the quality of data used in the calculation

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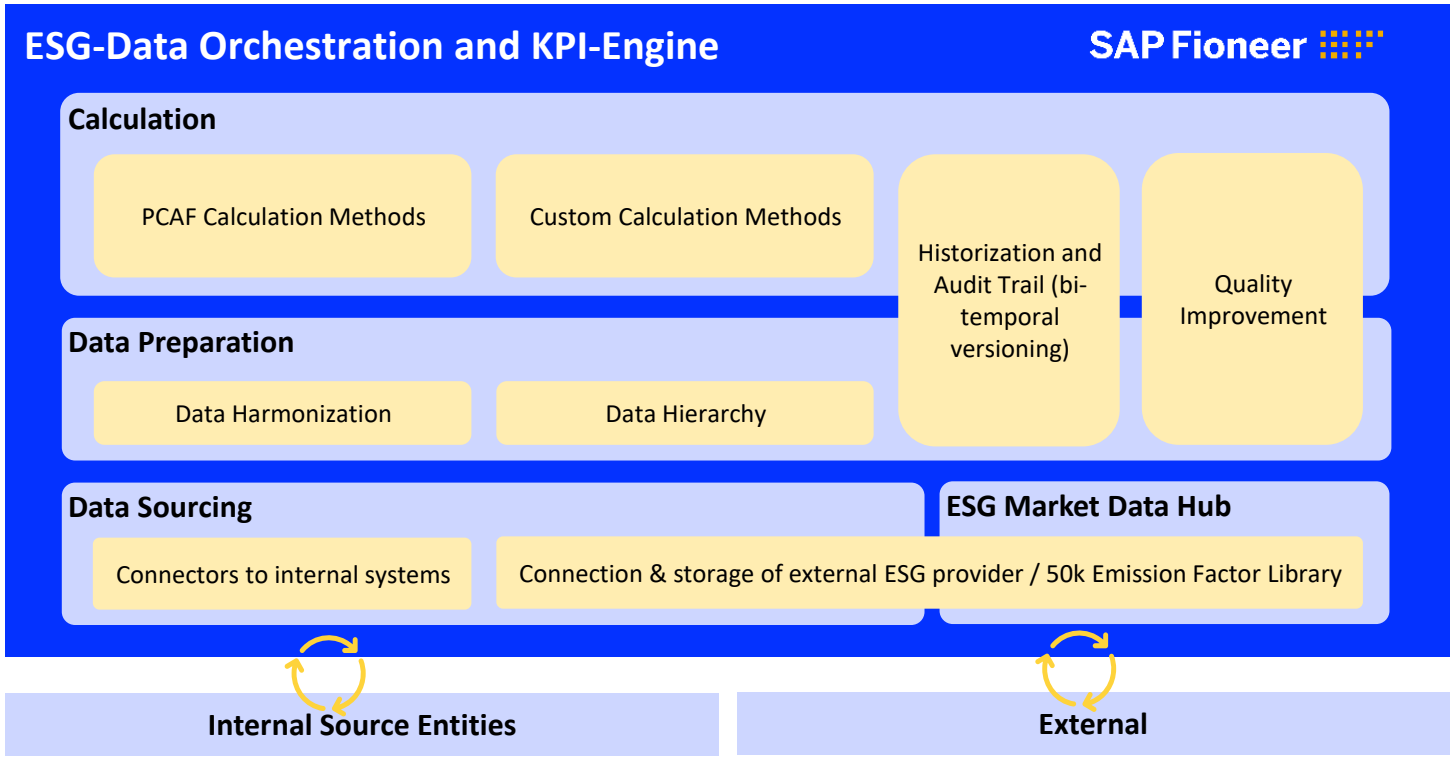
Demo



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What's coming next – Fioneer ESG KPI Engine Roadmap

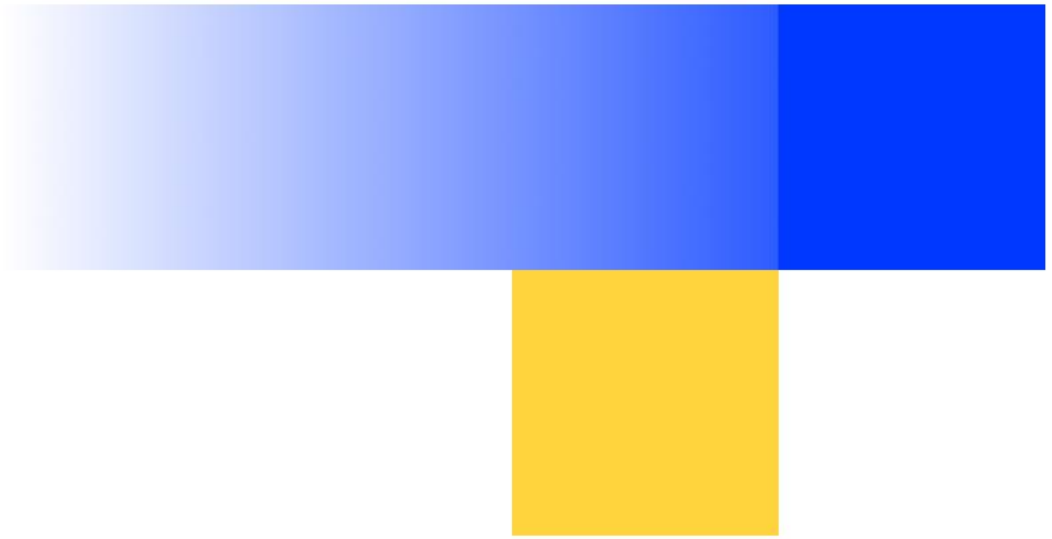
General Solution Components built in 2023/2024



Upcoming release 3.0 update

- **Expand Calculation Methods** Sovereign debt; Motor Vehicle Loans; Calculation with Multi-Methods; introduction of sub region; generic classification system; units incl. currency conversion
- **Reporting/Analysis** (Generic) reporting hierarchy; Change driver/Benchmarking analysis
- **Connectivity** Stateless HTTP API, AI BP matching
- **Net Zero Steering** Provide the possibility to set, store and track emission targets and decarbonization pathways incl. comparison with financed/invested emissions of the portfolio

Getting Started



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Choose your model to get reporting ready – compliant, fast, focused on what you need

Software

Independence through full control:
KPI Engine Access for those ready to take control of their financed emissions journey

- PCAF aligned
- External data source connectors
- Audit-ready
- Dedicated expert support

8 - 12 weeks

Software + Service

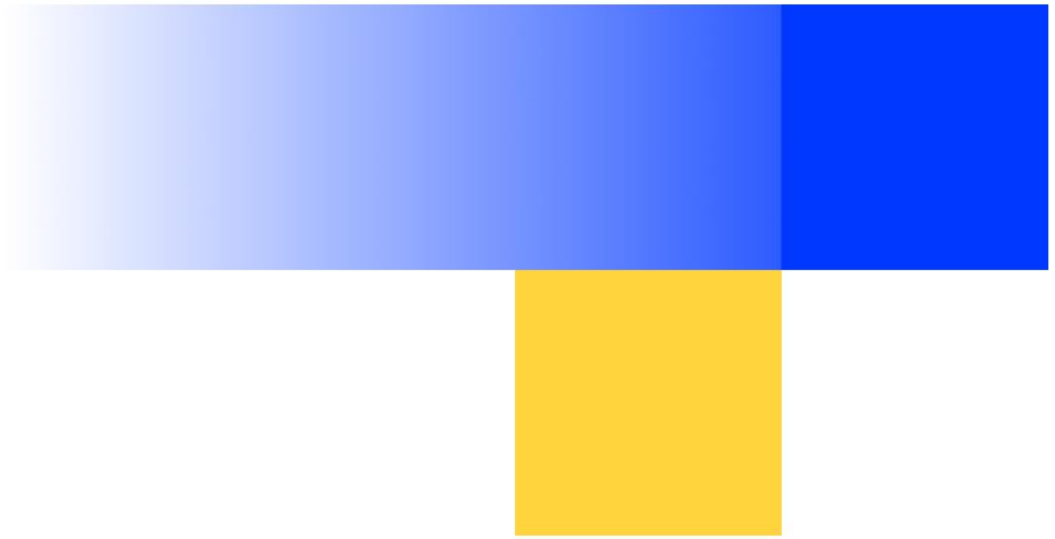
Full Support for Optimal Efficiency:
Take advantage of Fioneer's Financed Emissions service if you are limited on time and resources

- All software features & benefits
- Data loading services
- Data quality improvement services

6 - 8 weeks

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Q&A



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Thank you!



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