



TranspArEEnS

Mainstreaming Transparent Assessment of
Energy Efficiency in
Environmental Social Governance Ratings

TranspArEEnS: ESG Ratings, the SMEs Perspective

Monica Billio, Ca' Foscari University of Venice

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*This project has received funding from the European Union's Horizon 2020
research and innovation programme under grant agreement N. 101033869*



Trento EEMI
Bauhaus

Introduction

CONTEXT

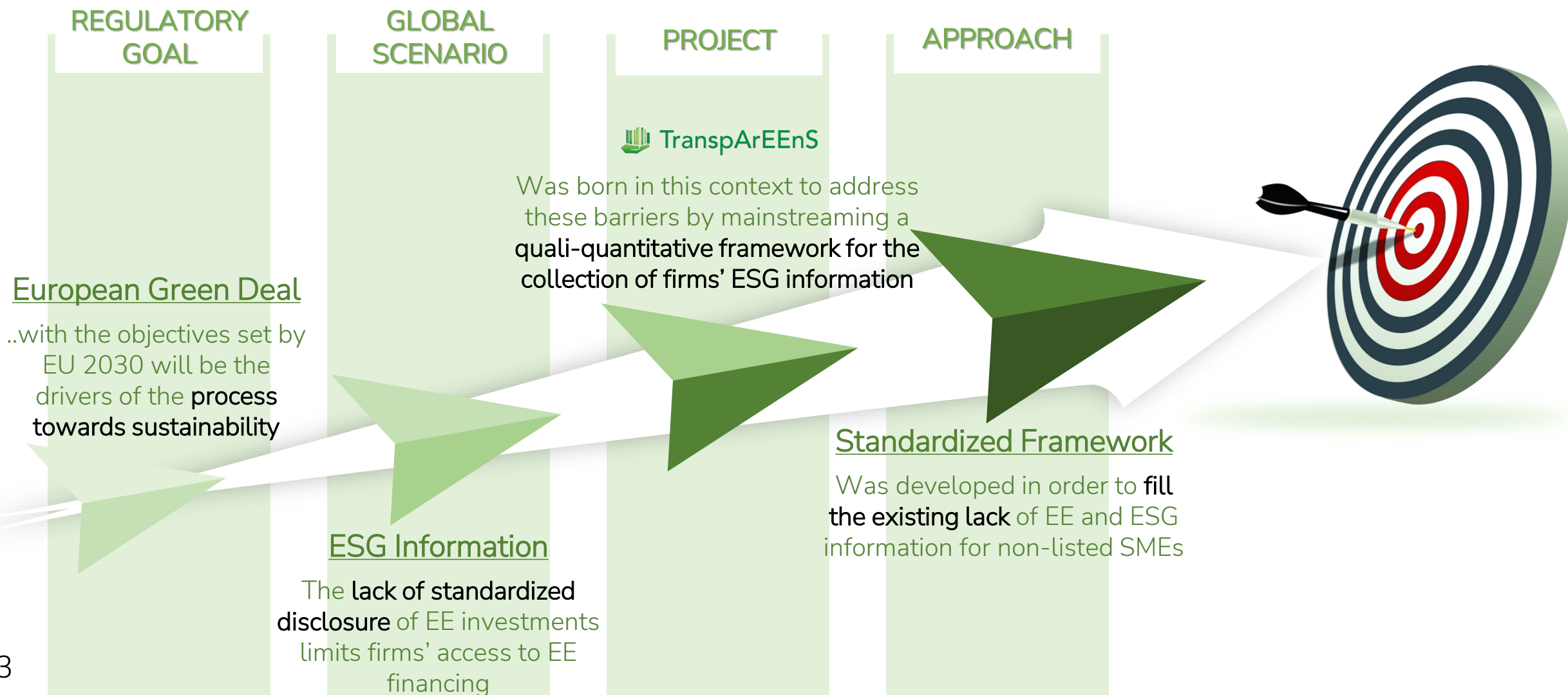
- ❑ Achieving the **EU2030 targets** requires *massive investments*
- ❑ **Access finance** for Energy Efficiency (EE) investments is **difficult** and investors have *insufficient data* and **difficulties** in measuring the impact on their portfolios both in terms of performances and sustainability
- ❑ *Lack of* **transparent and standardized** firms' ESG *disclosure* (especially for SMEs and EE)
- ❑ Poor disclosure and standardization could also give **rise to** *greenwashing phenomena*

TranspArEEnS Objectives

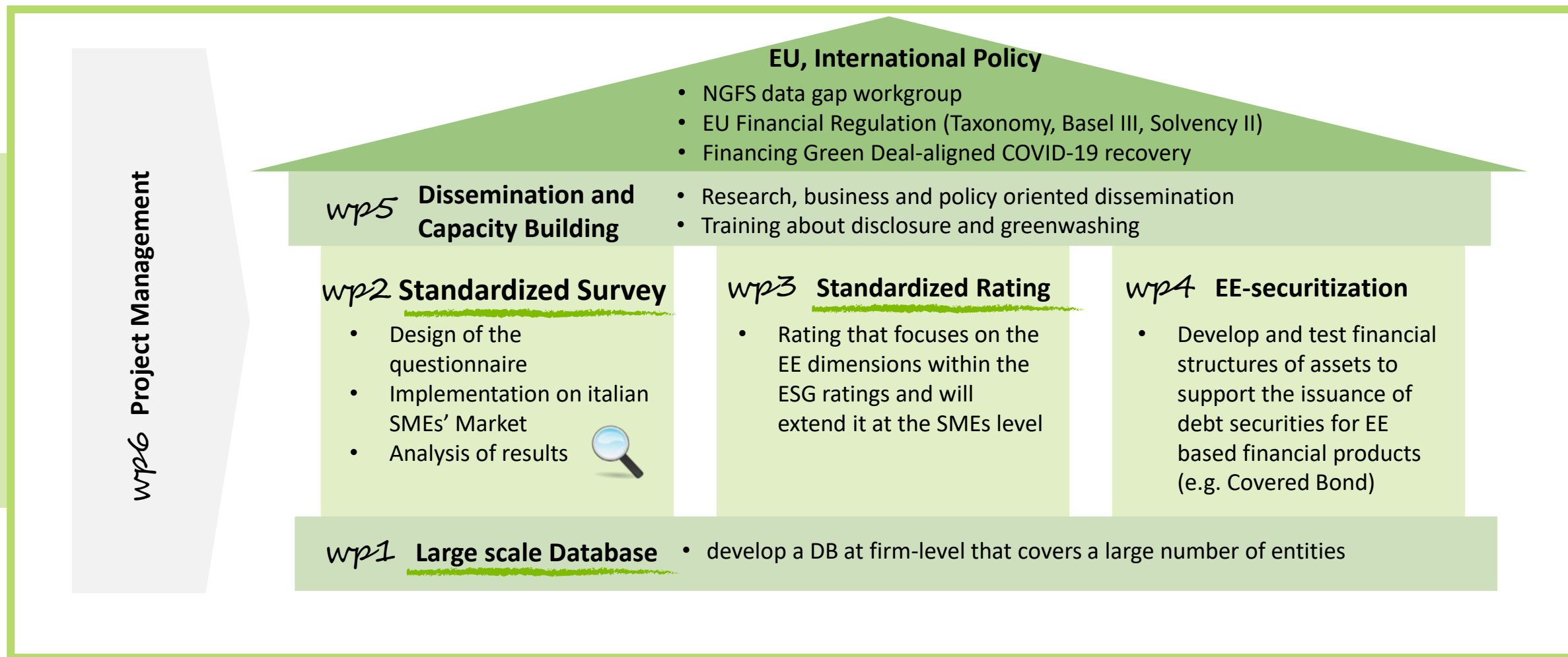
TranspArEEnS aims to enhance *standardized disclosure* of EE and ESG information at firm level, to foster *access to long term financing* (e.g. via securitization) and better *risk assessment*, while taming the risk of greenwashing

TranspArEEnS complements the outputs of three previous related EU-funded projects:
EeMAP, EeDaPP and EeMMIP

Introduction



Project structure



The Consortium

- ❑ Ca' Foscari University of Venice – Italy (lead partner)
- ❑ CRIF Spa – Italy
- ❑ Covered Bond & Mortgage Council – Belgium
- ❑ MODEFINANCE Srl – Italy
- ❑ Leibniz Institute for Financial Research SAFE - Germany

PARTNERS



Ca' Foscari
University
of Venice
Department of Economics



modefinance



EMF|ECBC
EUROPEAN MORTGAGE FEDERATION
EUROPEAN COVERED BOND COUNCIL



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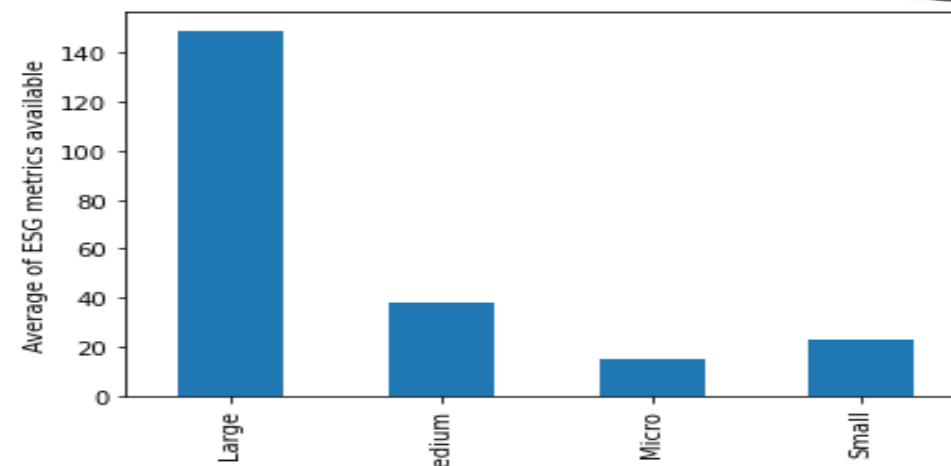
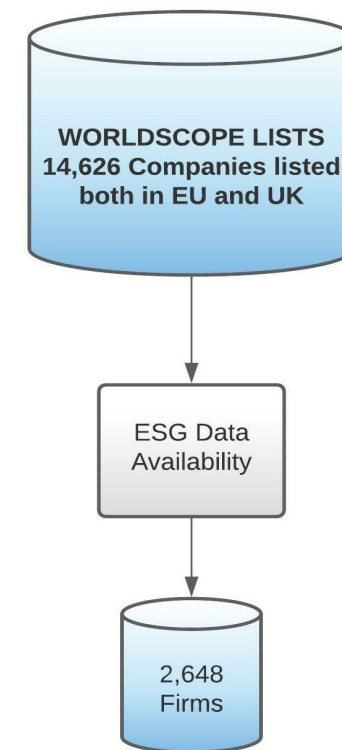
The listed ESG database

TranspArEEnS has developed a database containing ESG information for all listed companies in Europe and Great Britain, using various data sources and ESG agencies.

ESG data was mainly collected from (i) Bloomberg, (ii) Refinitiv, (iii) MSCI, (iv) NGR Metrics and (v) CDP - Carbon Disclosure Project.

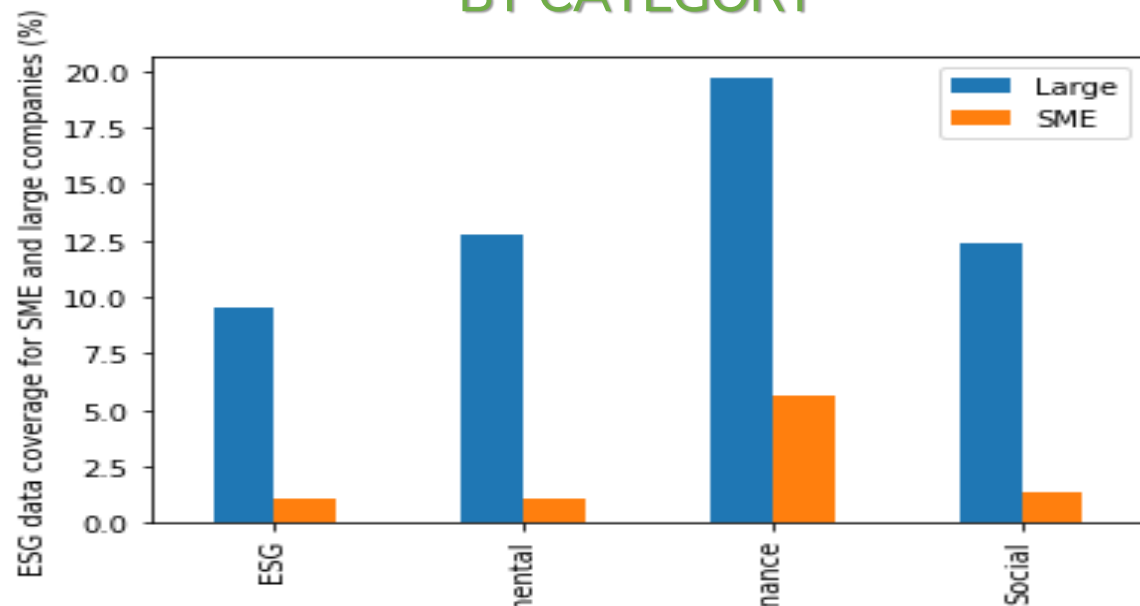
Out of a sample of 14,626, only **2,648 companies** provide sufficient ESG information. In total, **945 ESG metrics** were identified.

There is an important **data gap for SMEs**

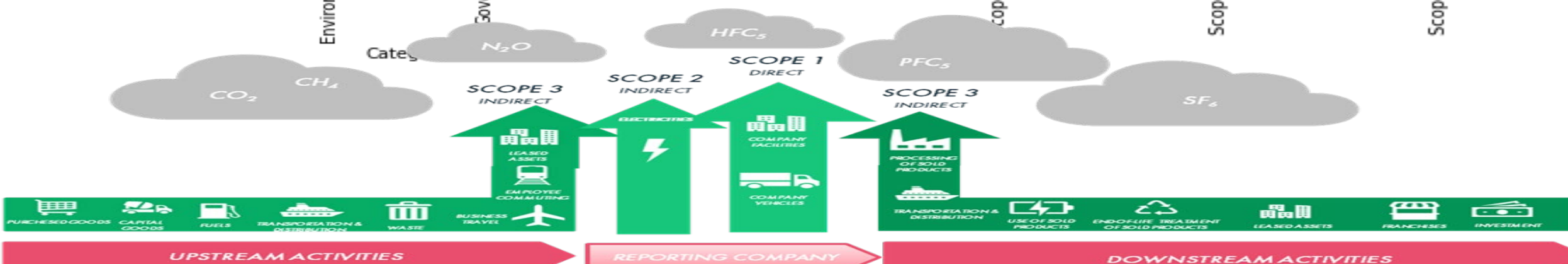
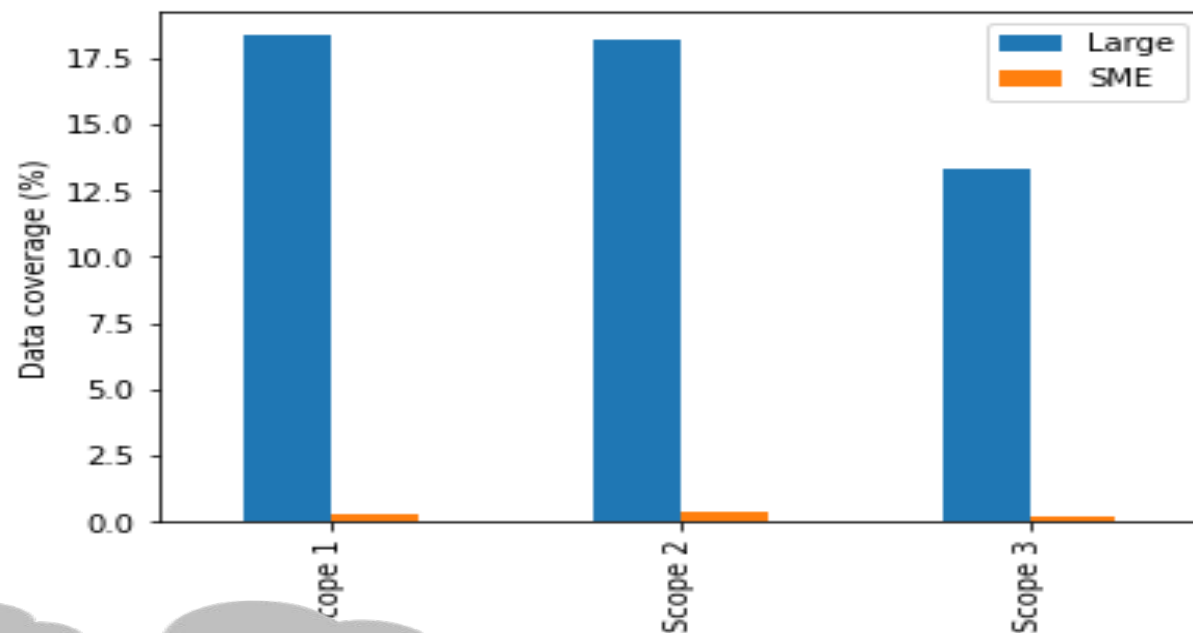


The data gap for SMEs

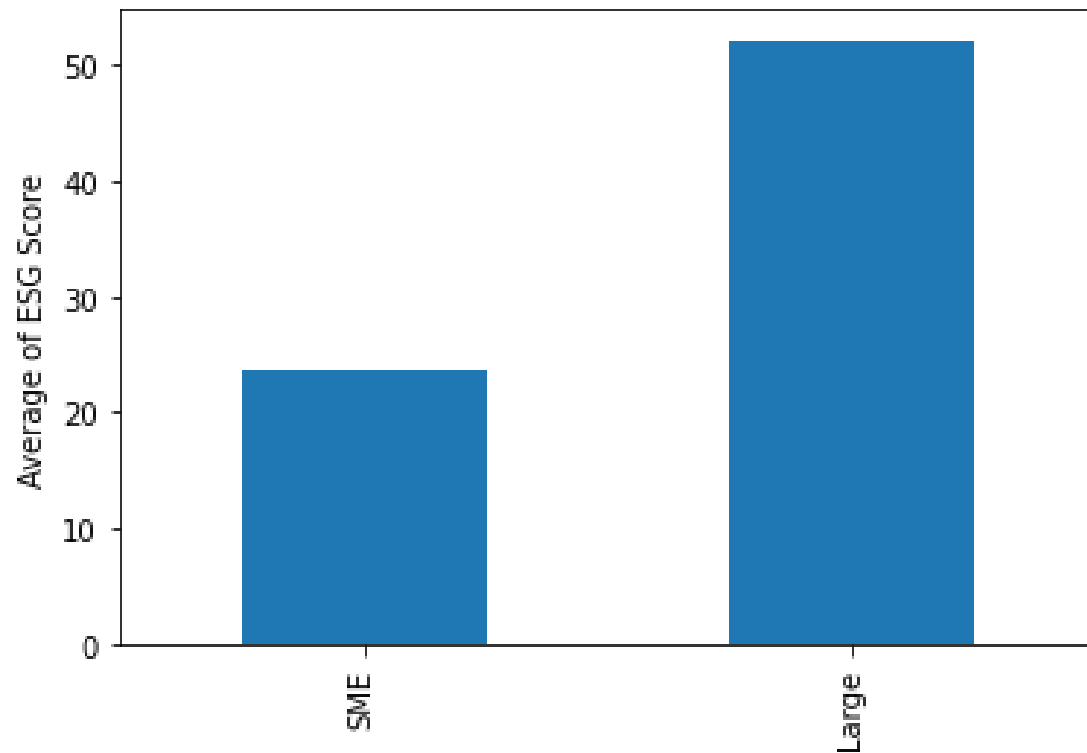
BY CATEGORY



ACCORDING THE TAXONOMY



Ratings' implications



Analyzing the ESG ratings provided by Refinitiv, on **average** SMEs have an ESG score of 23 against an average of 52 for large companies.




This difference can be explained by the fact that ESG reporting can be costly. Failure to report certain ESG metrics results in a **downgrade of the ESG rating**.

Large companies, having more resources, are therefore in an advantageous position.

The Questionnaire

- ✓ The **scope** is the collection of information for the **SME segment**, whose definition respects the *EU recommendation 2003/361*
- ✓ To obtain **evidence robust, interpretable and coherent with the objectives of the TranspArEEnS project**, the perimeter has been further restricted to small and medium-sized enterprises
- ✓ With the aim of collecting **information on the EE-ESG profiles of companies with as much detail as possible**, in addition to a **generic questionnaire** to be administered to all the SMEs on the CRIF radar, further **specific questionnaires** have been prepared for **specific sectors**
- ✓ The **target economic sectors** on which to focus the ad-hoc questionnaires are **identified on the basis of specific drivers**

SME definition ¹

Company category	Staff headcount	Turnover	Balance sheet total	Scope
Medium	< 250	≤ € 50 M	≤ € 43 M	IN 
Small	< 50	≤ € 10 M	≤ € 10 M	IN 
Micro	< 10	≤ € 2 M	≤ € 2 M	IN 

or

DRIVERS used for the choice of **economic sectors** to which the **ad-hoc questionnaires** should be administered



EXPERT JUDGEMENT



**NATIONAL RECOVERY AND
RESILIENCE PLAN (NRRP)**



MARKET ANALYSIS

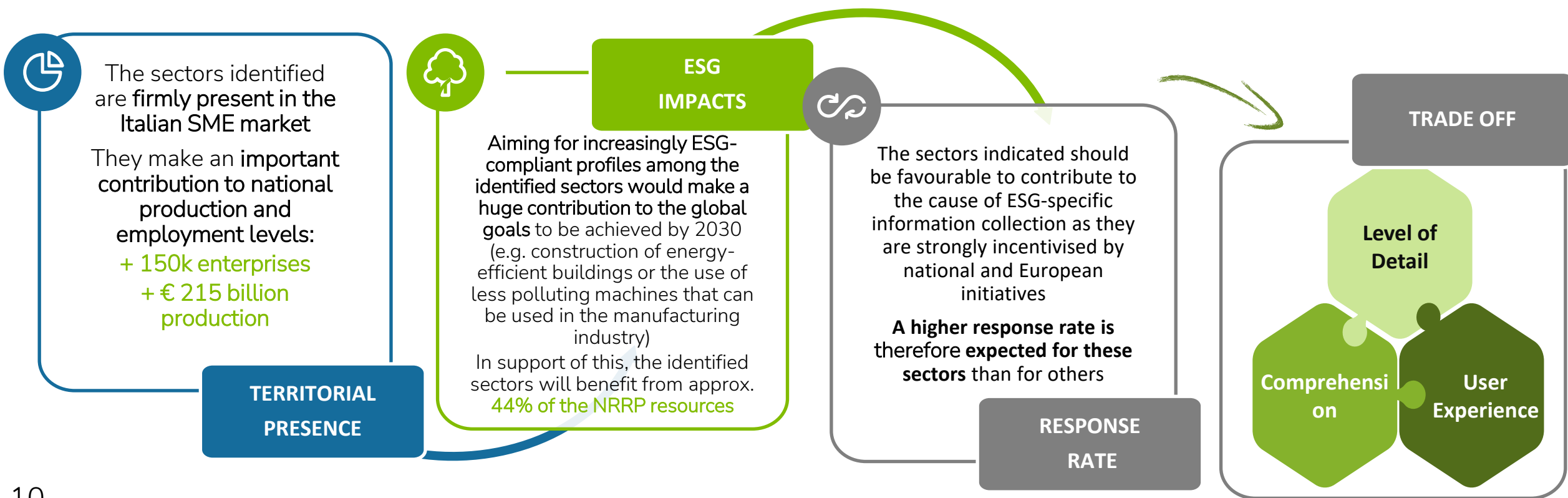


TAXONOMY

¹ Given the DQ problems related to staffing information and leveraging on the possibility that EU recommendations give the financial industry to consider only turnover for the SME definition, it is proposed to use only Turnover values < € 50 M as a segmentation driver

The Questionnaire

Leveraging consortium's in-depth knowledge in relation to the Italian SME market and the respective expectations in terms of ESG impacts, it is considered that the most appropriate target economic sectors for ad hoc questionnaires are **Construction** and **Manufacturing activities**¹ in the first step. The overall questionnaire and platform is constantly evolving to consider a complete range of sectors



The Questionnaire

Estimated compilation time: 2/3h

MACRO STRUCTURE



- 1 General questionnaire
- 2 Sectoral questionnaires
- 4 Areas of focus

1

BUSINESS

2

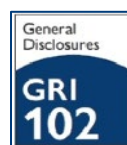
ENVIRONMENTAL

3

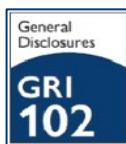
SOCIAL

4

GOVERNANCE



In compliance with the main international standards



NATIONAL RECOVERY AND
RESILIENCE PLAN (NRRP)



EXPERT JUDGEMENT



TAXONOMY

The Questionnaire

AREAS OF INTEREST



BUSINESS

ENVIRONMENTAL

SOCIAL

GOVERNANCE

MAIN TOPICS

- Energy efficiency
- Corporate sustainability strategy
- ESG Risk Management
- Importance of R&D
- Digitalisation of services
- Labeling and information on products
- **Waste, water and energy**
- **Certifications**
- Relationships with the community and stakeholders
- **Board' structure and composition**
- Innovation
- **EU Taxonomy**
- Circular Economy
- **Workplace health and safety**

The Platform

*TransparEEns
project
challenge*

Collect EE-ESG
information of
Italian SMEs



A CRIF **global Digital Platform** capable of collecting and managing EE-ESG information to verify the sustainability criteria of clients, partners and suppliers



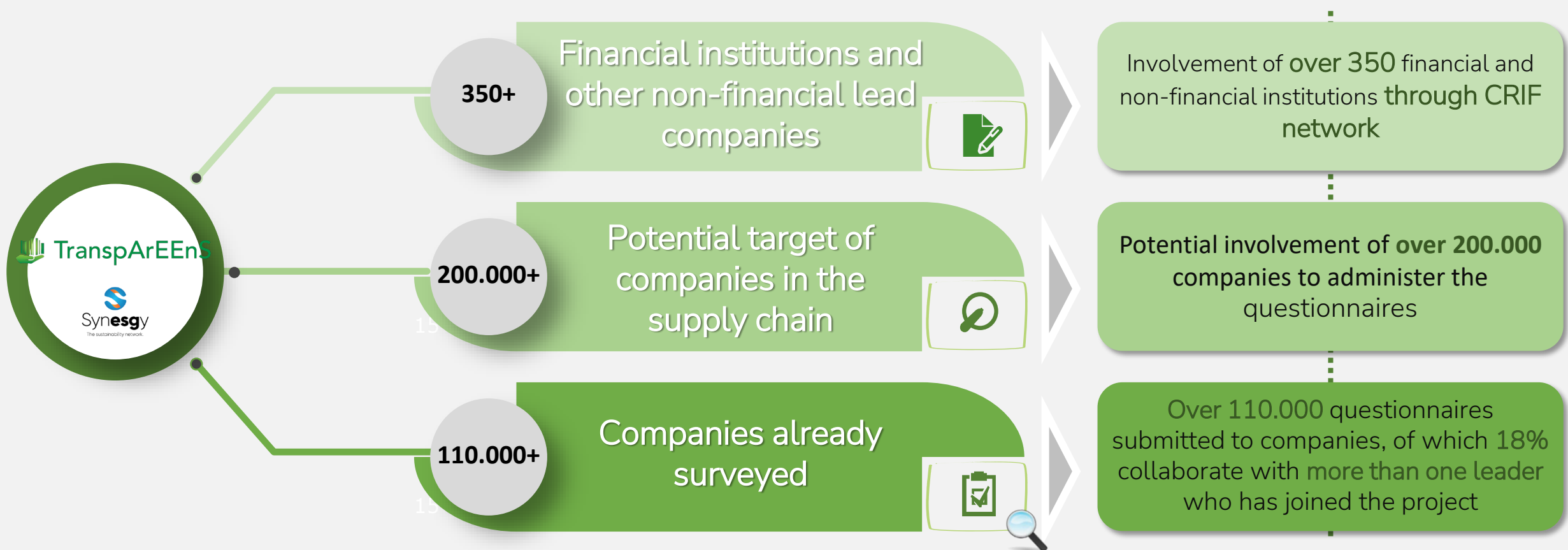
Database
with ESG info from
questionnaire and
financial info from
CRIF data assets

The Questionnaire administration

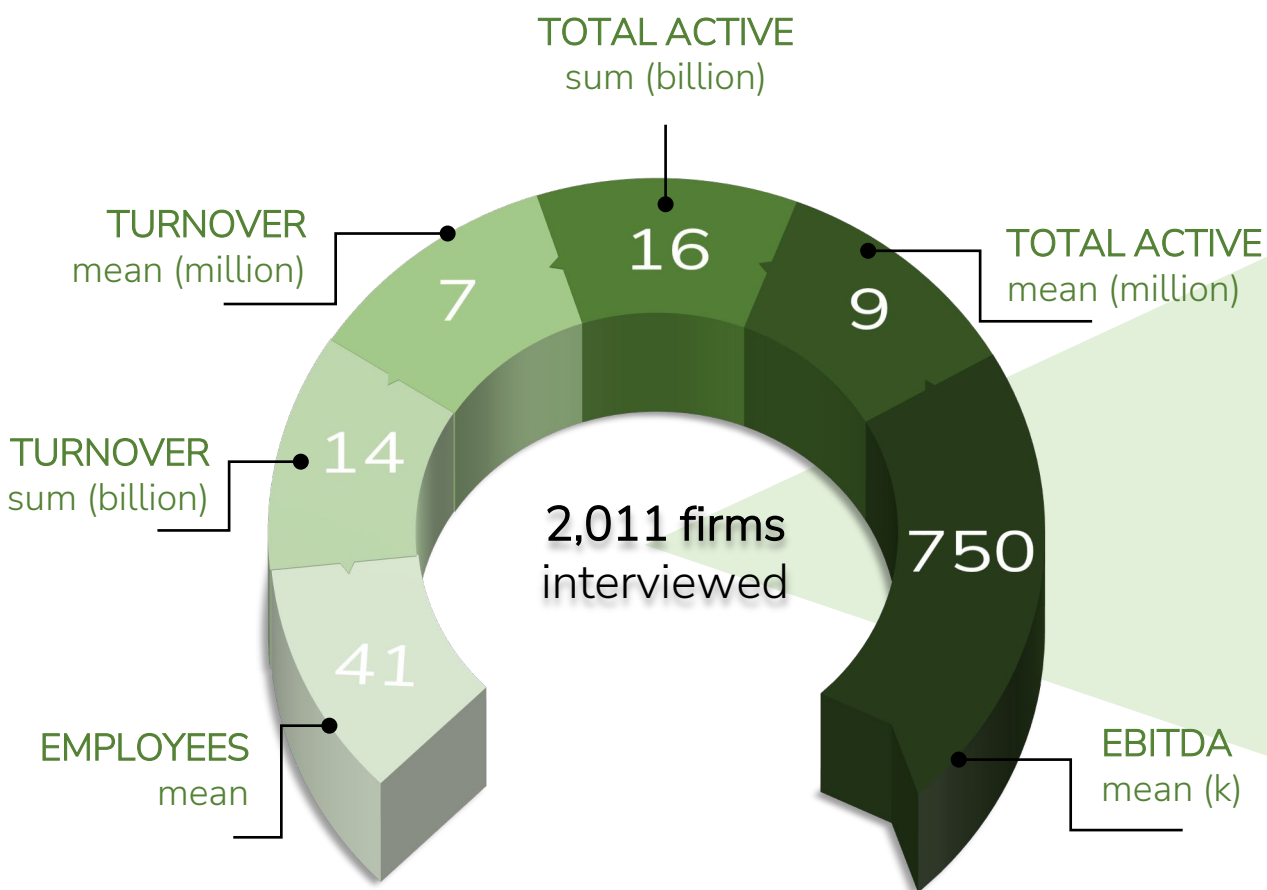
- ✓ ~ 150 questions, between general and sectoral questionnaire, for companies to answer
- ✓ ~ 70 of these are NOT mandatory
- ✓ + 50 questions are related to EE aspects (about 22%)
- ✓ other thematic areas are covered in order to have an overall assessment of the ESG profile of companies
- ✓ Each question is supported by a FAQ/Help section to help the user



The Questionnaire administration

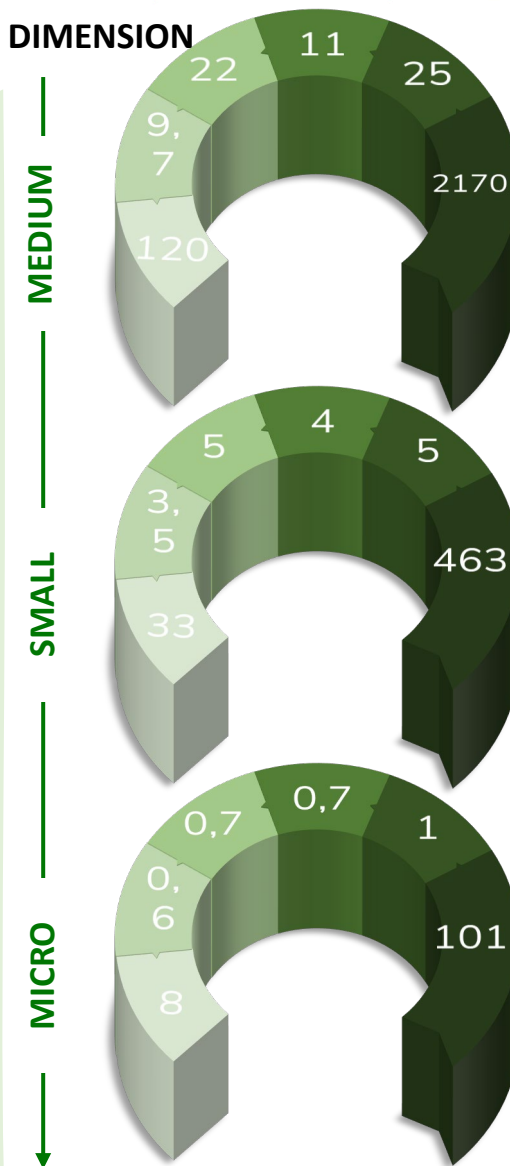


The first vintage sample



The survey covered **micro**, **small** and **medium-sized** enterprises with a turnover of less than **50 million** euro. Medium-sized firms, while representing less than a quarter of the total, have a total turnover almost **three times higher** than that of micro and small companies

FIRMS DIMENSION



The first vintage sample

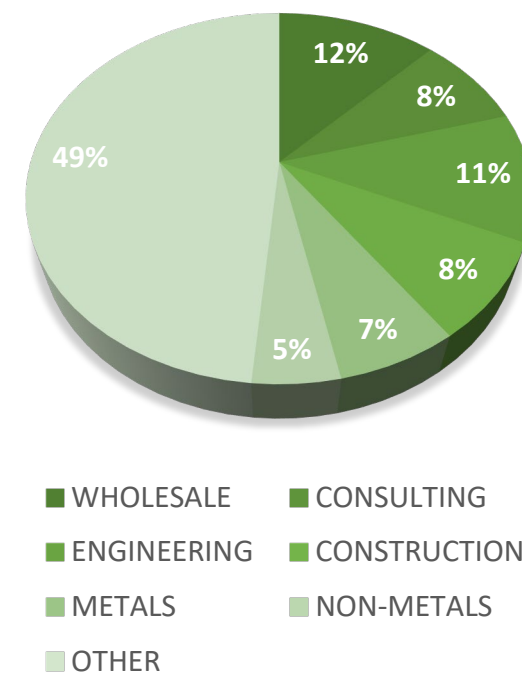
GEOGRAPHICAL DISTRIBUTION



*More than 70% of companies are located in five regions in the North and the Center of Italy: the companies in these regions represent approximately 75% of the total turnover, although the **highest values for the average turnover is observed** in two different regions: 11 million euro in **Trentino-Alto Adige** and over 10 million euro in **Friuli-Venezia Giulia***

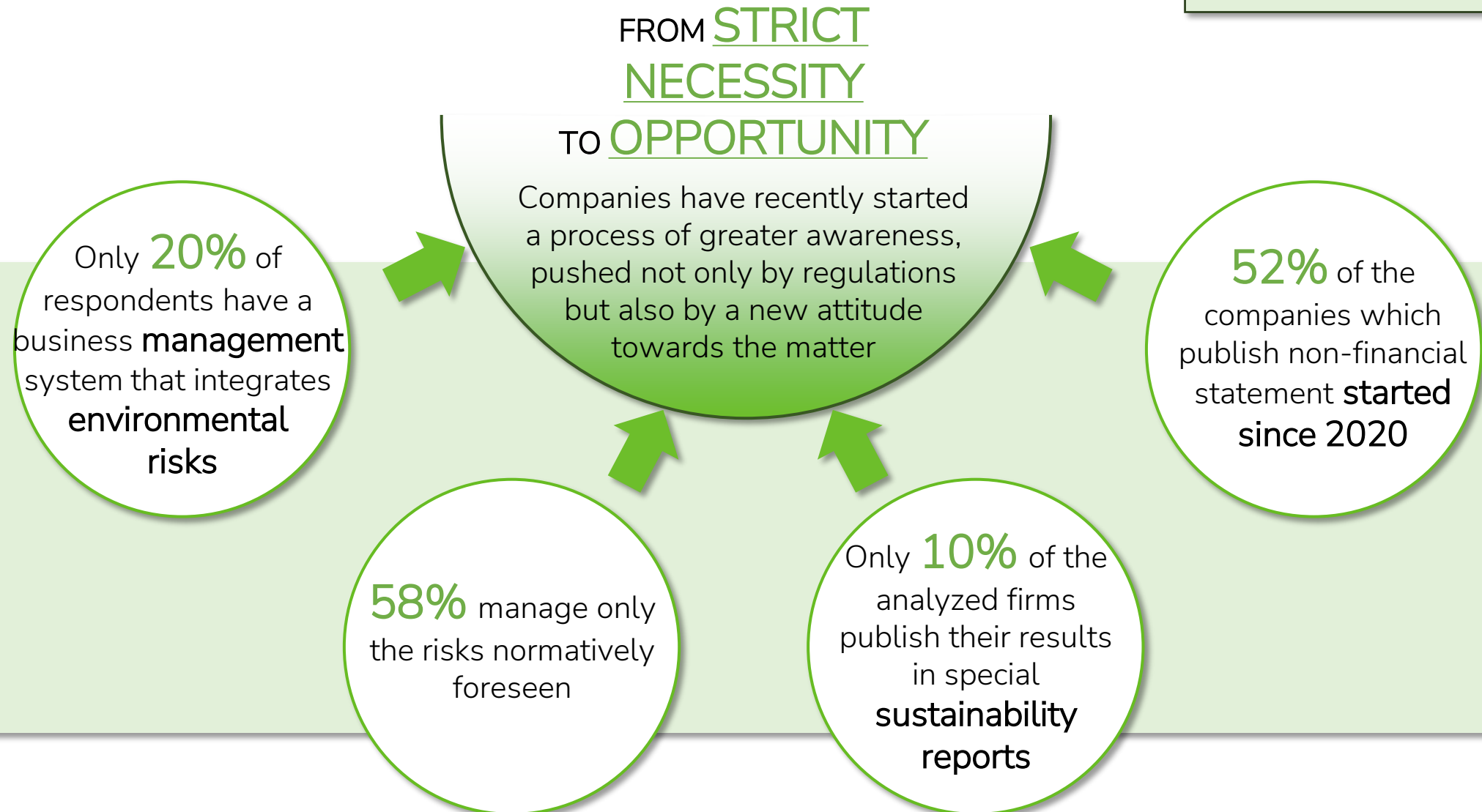
SECTORIAL ANALYSIS

The most represented sectors in the analysis are **Wholesale, Consulting and Engineering**, but there is also a significant portion of SMEs from **Construction, Metals and Non-Metals**, which are the sectors identified by WP2 for the administration of sectorial questionnaires. These sectors alone account for *more than 51% of the SMEs* under investigation



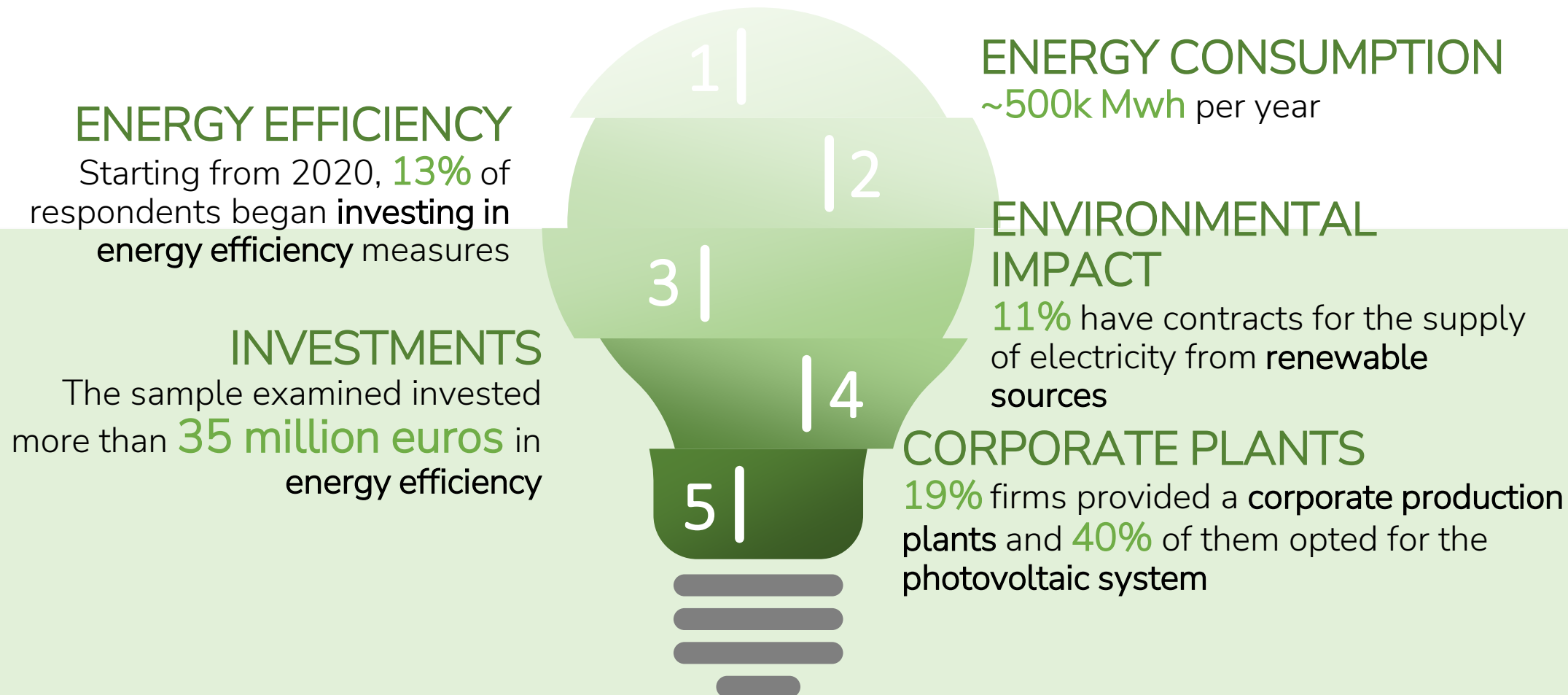
Business Considerations

BUSINESS



Environmental strategy

ENVIRONMENTAL



S-G Dimensions

SOCIAL

MANAGER

The average of **woman manager** employed is **5 vs 7** for man

ROLES

Women with **managerial positions** are present in **less than half** of the companies

PAY GAP

Women earn, on average, **56,000 euro** per year vs **68,000 euro** for man

GOVERNANCE

AUDIT FIRM

In the **22%** of cases there is an audit firm

SUSTAINABILITY MANAGER

Only the **22%** of companies have a figure dedicated to sustainability

CODE OF ETHICS

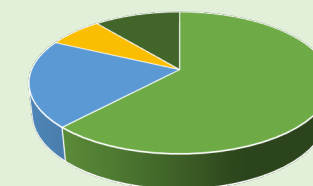
In **25%** of cases there is a code of ethics that addresses issues related to sustainability

SOCIAL

GOVERNANCE

FOCUS

Female presence in the governing bodies



- less than 33%
- between 33% and 50%
- more than 50%
- Sole Director

Preliminary results



The path to sustainability sets by the European Green Deal is long and challenging just as the targets set by EU2030 are particularly ambitious

During the administration of the survey emerged the widespread difficulty in understanding certain issues and lack of standard information

Companies are beginning to approach sustainability issues and supporting them is essential to define standardised criteria

Helping companies in producing ESG information, collecting and analyzing the data is the key for ESG transformation

Tools for data collection and dissemination of ESG culture exist.

Such tools need to constantly evolving as it is the attitude of Italian SMEs in addressing new issues in terms of sustainability

Next steps

1

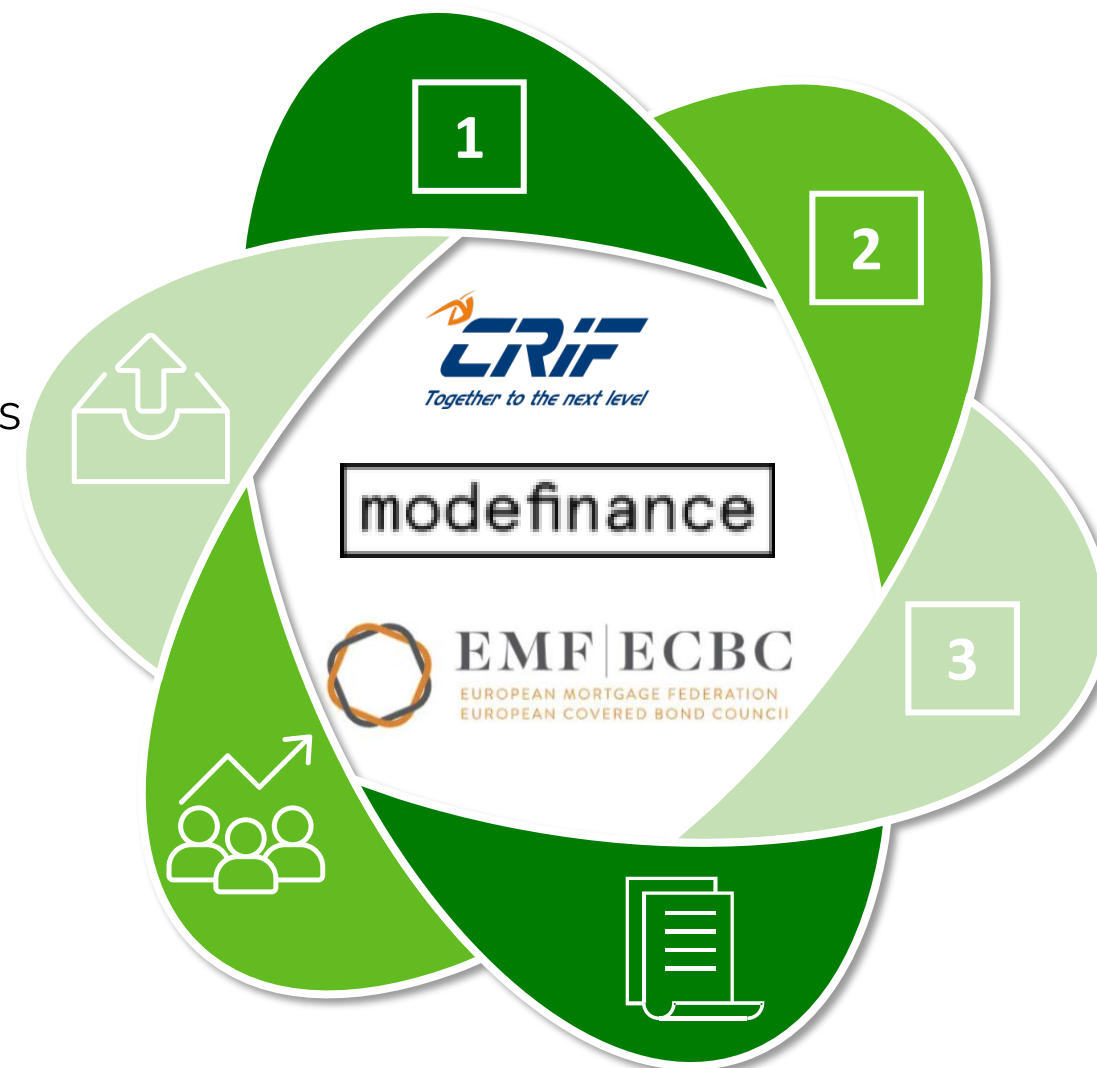
Consolidate the collection of questionnaires using the network of Finance and Non-Finance companies recently involved – expansion of stakeholders involved to **increase** the amount of data and deepen the analysis

2

Enhance standardized disclosure of EE and ESG information by defining a standardized EE-ESG rating

3

Foster access to long term financing (e.g. via securitization) and better risk assessment, while **taming the risk of greenwashing**



Thank you



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