

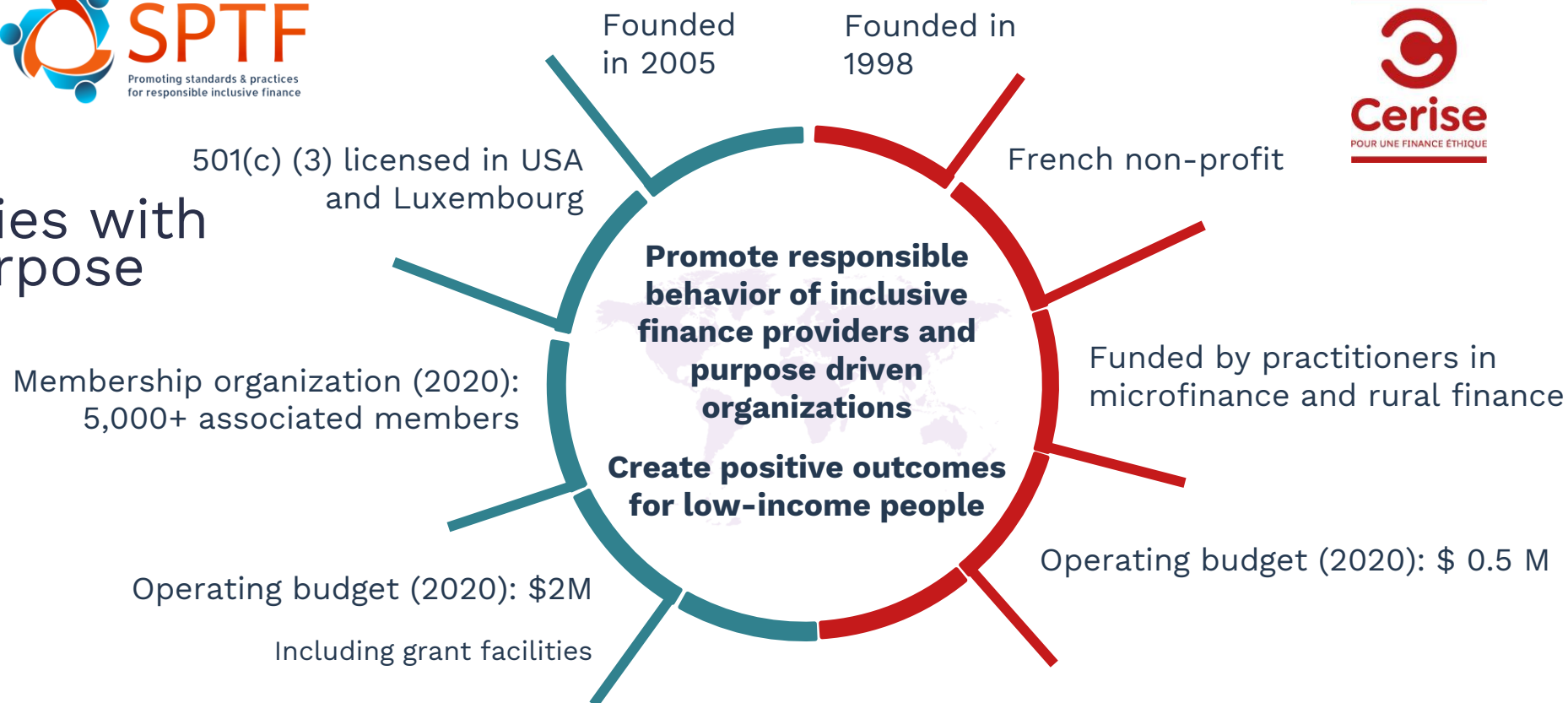
Social and Environmental Performance  
Management with  
SPI Online

# **“ESG Risk” & ALINUS tools for SFDR reporting**

English webinar, March 18, 2023



## Two entities with a joint purpose



Key activities: maintain standards, manage grant facilities for standards implementation, convene diverse international stakeholders

Key activities: develop social audit tools, research and benchmarks on best practices, build local capacity around the world

## One solid organization



**CERISE+SPTF**

Operating budget (2022): \$ 2.8 M  
5,000+ associated members, 70 paying organizations



# Benefits of good social performance management

- Better data to make decisions
- Less loan default (statistically verified)
- Improved reputation
- Better able to manage crises
- Improved customer loyalty
- Less staff turnover
- Better changes in clients' lives
- Long-term sustainability

With a strong SEPM, an institution is more likely to have loyal staff, loyal clients, and better financial performance

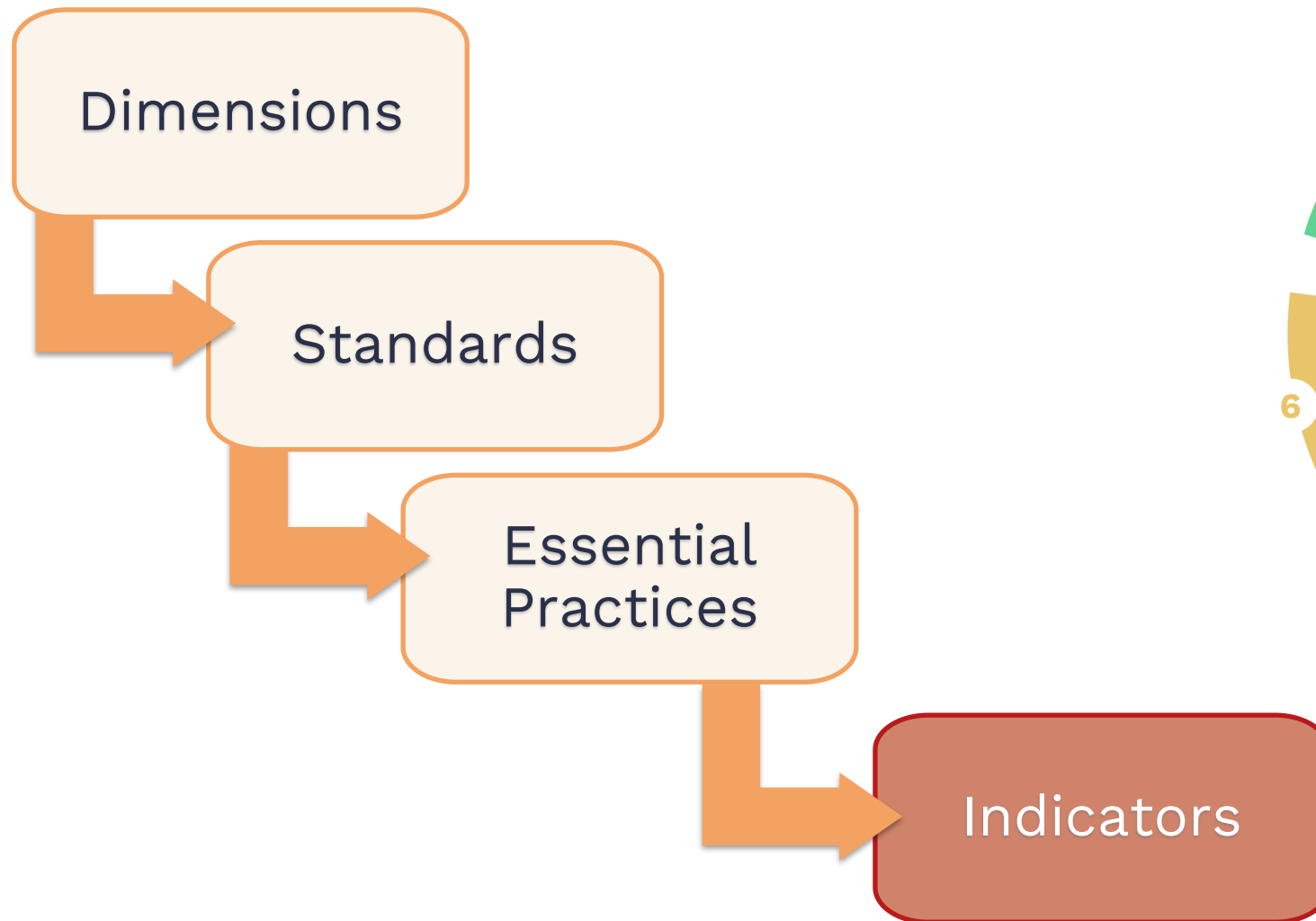
# Our first signatory product: The Universal Standards for Social and Environmental Performance Management

A complete guide of best practices to help financial service providers (FSPs) put **clients, staff, environment** at the center of all strategic and operational **decisions** and align their policies and procedures with **responsible business practices**.



More Financial Service Providers better equipped to achieve their social & environment goals and meet the needs of their clients

## Our second signature products: The Assessment Tools on SPI Online platform



**SPI Online**



# SPI Online

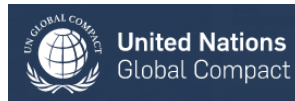
A platform of resources and tools for impact-driven organizations to assess and improve their social and environmental performance against the **Universal Standards** (3<sup>rd</sup> Edition, Feb. 2022)

By



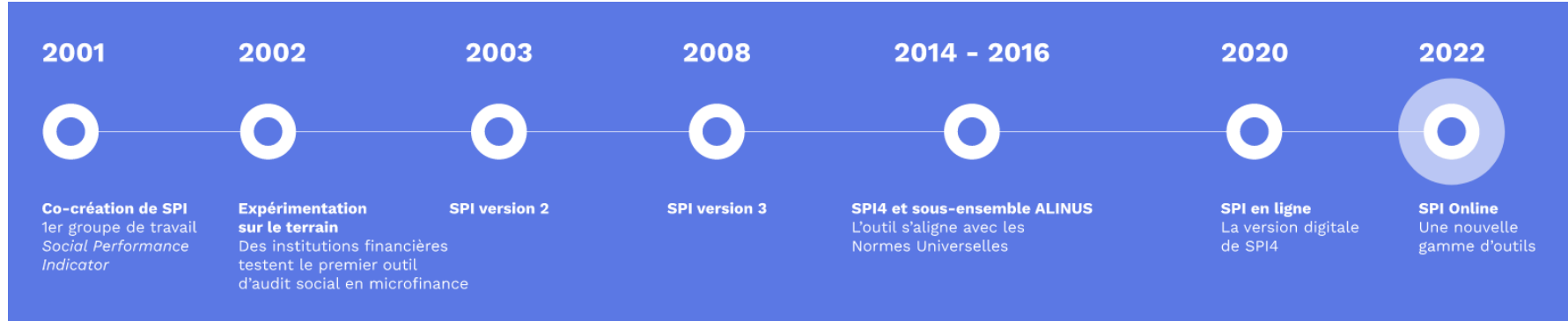
**CERISE+SPTF**

Measure compliance with a range of leading international standards





# SPI Online tools widely used globally



770

Unique FSP with audits

1,150+

Audits completed

45

Investors using  
ALINUS/aligned on  
indicators

60M

Unique customers

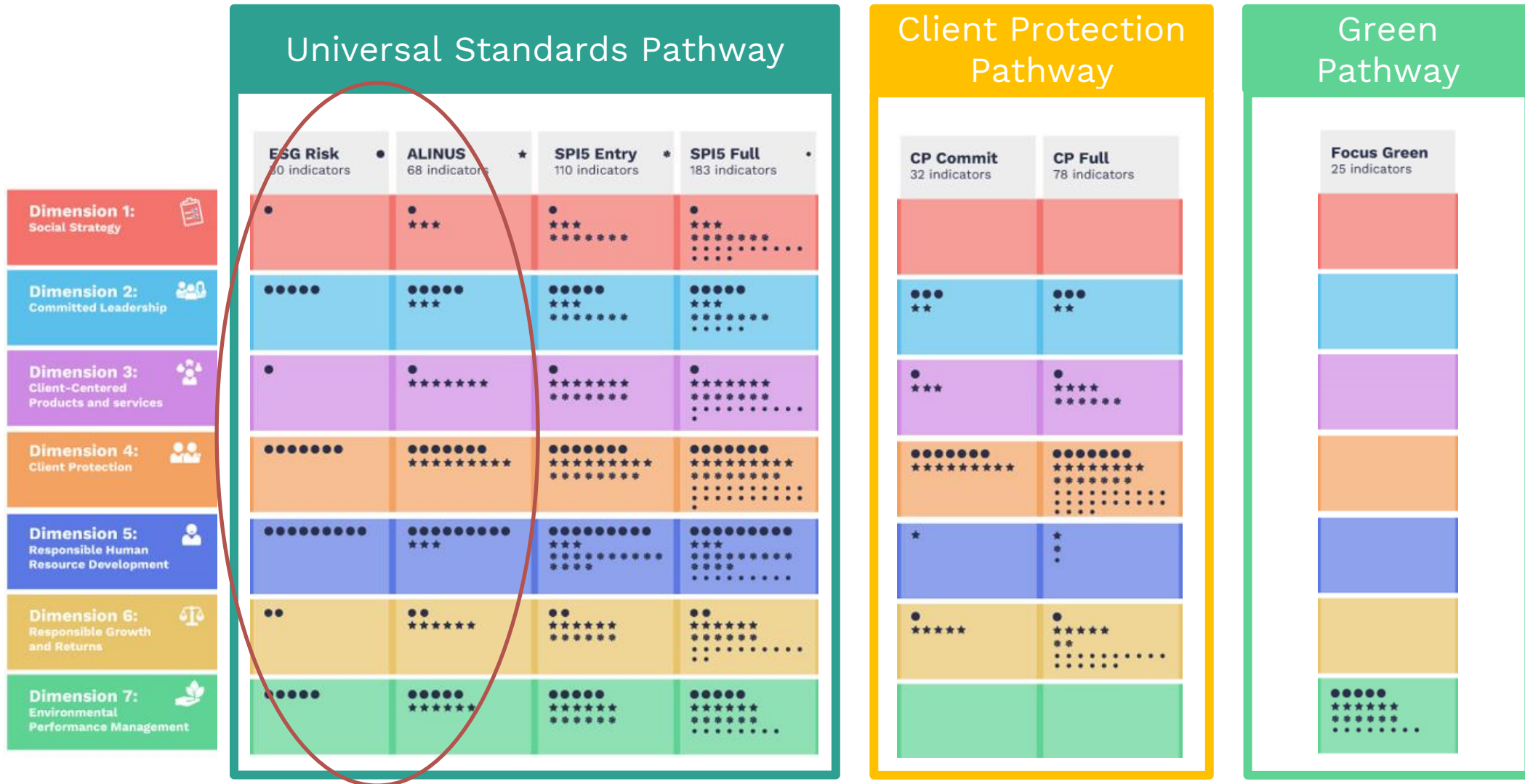
106

Different countries

As of December 2022



# 7 tools for 3 pathways, aligned with the 7 dimensions of the Universal Standards



# ESG Risk => Compliance with basic “Do No Significant Harm” /disclose “PAI” and manage ESG Risks

Commit to robust ESG risk management:

- Assess the main negative impacts to prevent them
- Ensure that clients, employees and the environment are protected (“DNSH” approach)
- Make investment decisions based on a solid understanding of ESG risks
- Demonstrate your compliance with ESG regulatory requirements (“SFDR” Sustainable Finance Disclosure Regulation in Europe)

**ESG Risk** evaluates the fundamental “Do No Significant Harm” requirements in line with international standards:

[ILO](#) decent work conditions, [IFC Performance Standards](#), [UN Global Compact Principles](#), [OECD Multi-National Enterprises](#), etc.



# SFDR reporting

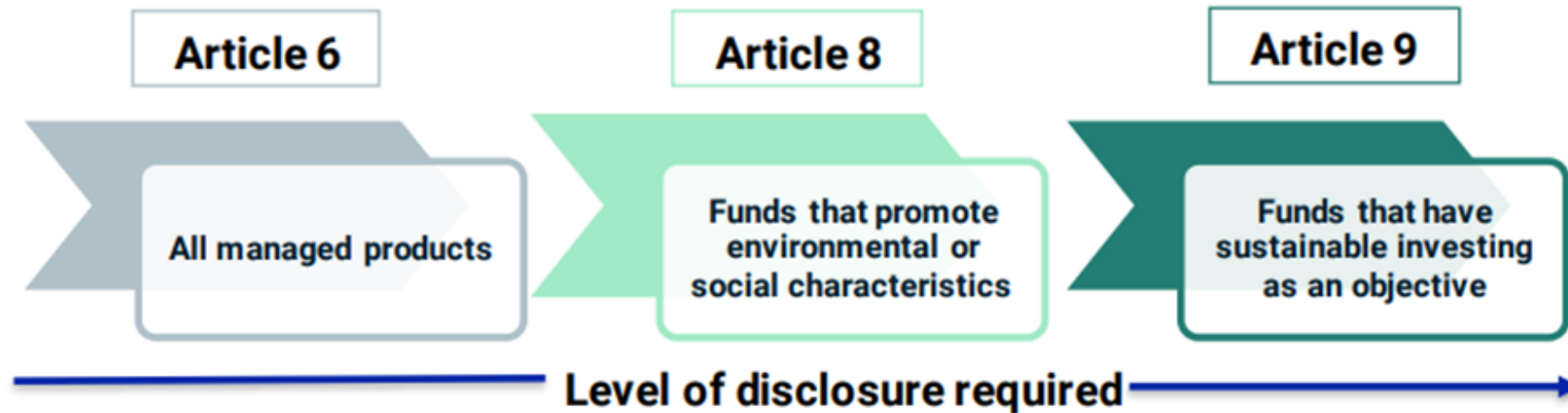
What is it, how  
to work on  
ESG risks and  
reporting?



# SFDR, what is it?

2019: The EU Sustainable Finance Disclosure Regulation (SFDR) sets strict minimum-disclosure standards to increase transparency and prevent greenwashing for investors - particularly those seeking to promote ESG credentials (Article 8 funds) and those with ESG objectives (Article 9 funds)

**Exhibit 1: Degrees of Disclosure Under the SFDR**

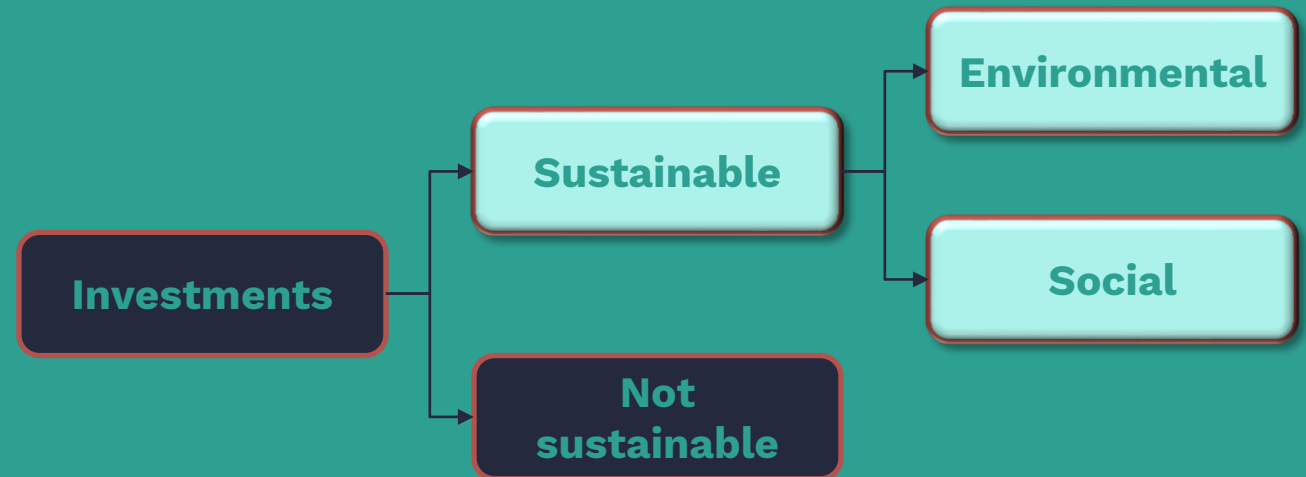


SFDR provides definition of a Sustainable Investment and specifies the criteria to qualify as a Sustainable Investment:

- ✓ An investment in an economic activity that contributes to an **environmental or social objective**
- ✓ Provided that such investments **Do No Significantly Harm (DNSH)** people and planet
- ✓ And provided that the investee companies follow **good governance** practices

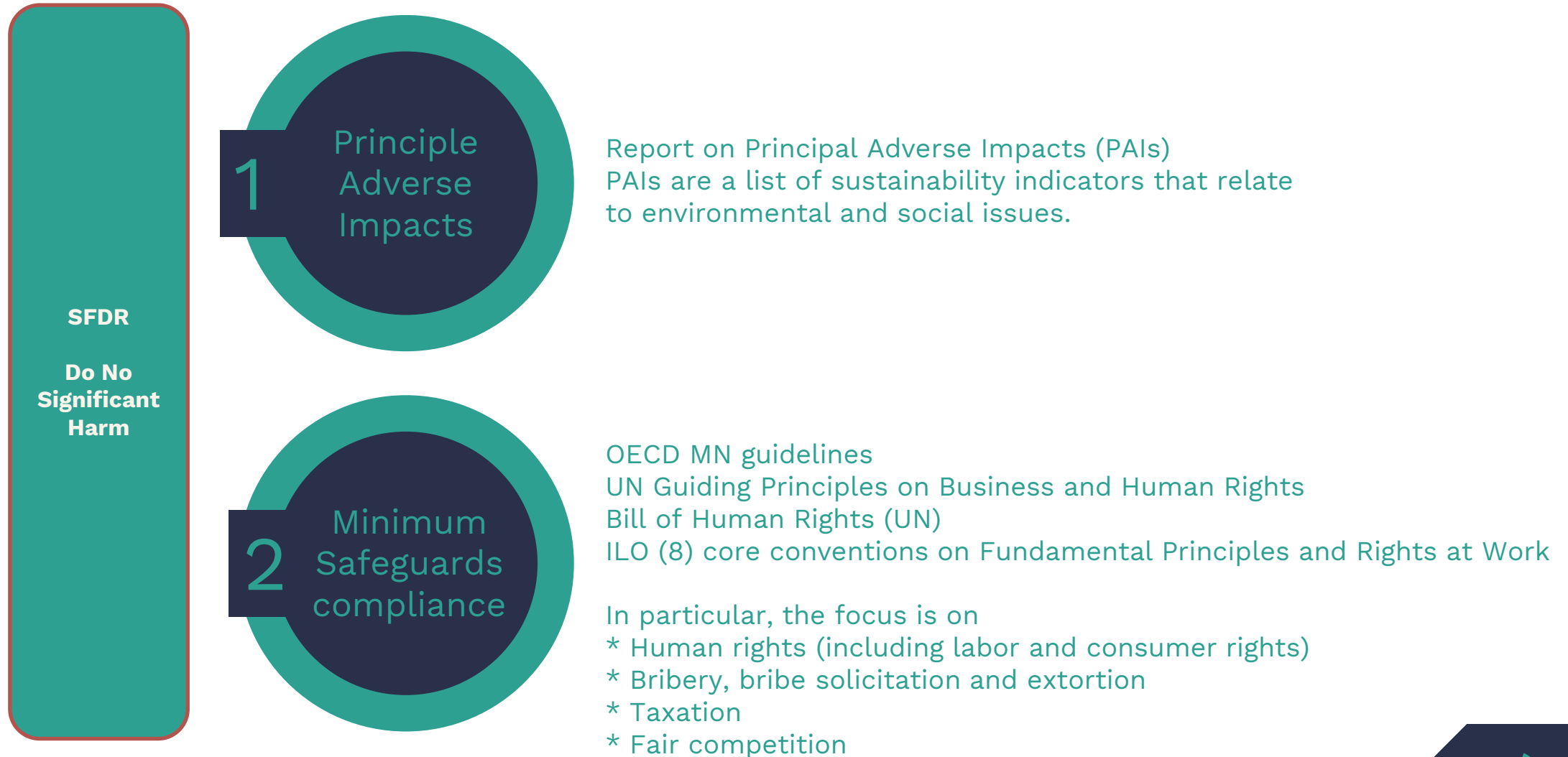
## SUSTAINABLE FINANCE DISCLOSURE REGULATION (EU) 2019

Sustainable Finance Disclosure Regulation” or “SFDR”: Regulation (Eu) 2019/2088 of the European Parliament and of The Council of 27 November 2019 on Sustainability-Related Disclosures in The Financial Services Sector.



# SFDR – Do No Significant Harm

Principle explained





# ESG concepts

## Double Materiality - Sustainability Risk

Sustainability through two different lenses

### Outside-In Perspective



ESG factors impact on company

#### Examples:

- Droughts ruining agricultural crops
- Damage to buildings due to flooding
- Regulation bans sales of diesel cars

Outside-in sustainability risk analysis

### Inside-Out Perspective



Company impact on ESG factors

#### Examples:

- Dumping hazardous waste
- Violations of human rights
- Accounting fraud

Minimum standards, PAI assessment

**Outside-In:** the FSP assesses the vulnerability of its clientele (and therefore of its portfolio) to outside risks.

**Inside-Out:** the FSP assesses the adverse impact on environment and social risks from its organization, and from its clients

# Work of the Social Investor Working Group and SFDR subgroup

- Regular meetings since March 2021
- Integration of ESG risks checks in updated Universal Standards
- In-depth discussions on all the indicators, definition, raw data necessary, collection at investee level or at portfolio/end beneficiary level
- Content review for ALINUS selection
- Exchanges with proxy providers (Joint Impact Model, Impact Institute, etc), other data platform (Atlas)
- Pilot-test with FSP in summer 2022
- Integration of results in ESG Risk/ ALINUS tools and guidance



# How can PAI be reported with SPI Online? How can it be used for ESG risk management?

## **ESG Risk tool**

- A sub-set of ALINUS
- Aimed at reporting + raising awareness on ESG risks management
- Proxies not provided (flow of information to be discussed with proxy data providers)

## **Investors involved in the working group**

ADA, ASN, BlueOrchard, BIB Essen, Enabling, DWS, Finance in Motion, Frankfurt School, ILX, Incofin, Invest in Visions, Grameen Credit Agricole, LMDF, Oikocredit, ResponsAbility, Symbiotics, Triodos, Triple Jump, etc.



## Focus on the 14 Principal Adverse Impact Indicators



# PAI 1,2,3 GHG, Carbon Footprint, GHG Intensity

**Scope 1:** direct emissions from owned or controlled sources

**Scope 2:** indirect emissions from the generation of purchased energy

**Scope 3:** all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

**Carbon footprint** and **GHG intensity** are derived from the Total GHG Emissions (Scope 1 + Scope 2 + Scope 3)

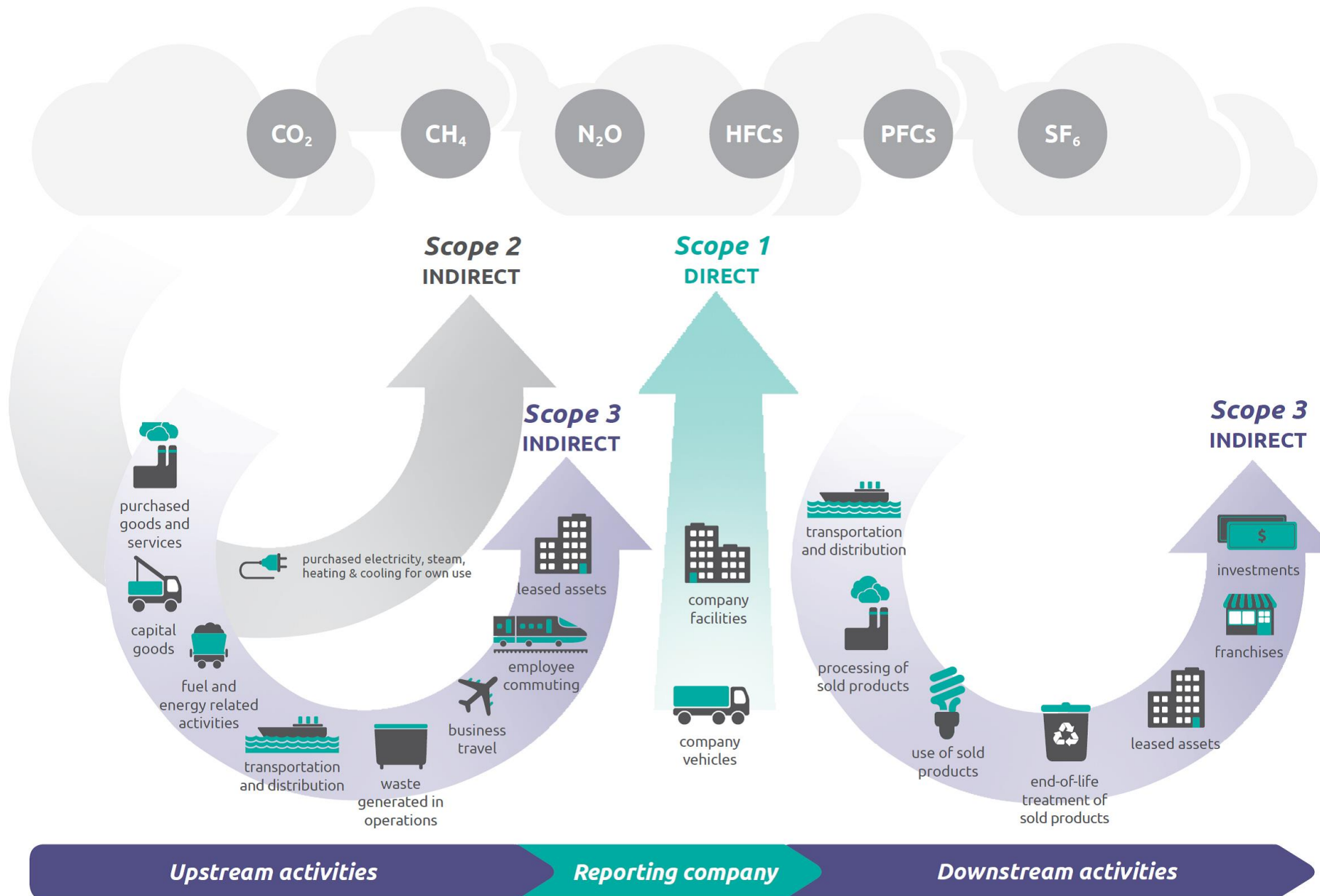
## Consensus

- GHG emissions will be calculated through a proxy based on information about the FSP (including sector breakdown of the portfolio).
- Capture where the data comes from in the comments box in ALINUS

## Data collection

- Portfolio breakdowns by economic sector (NACE segments)
- Breakdown allows for identification of sectors with risk
- Guidance from IFC or FMO to manage the risks


# GHG Protocol / PCAF



- Scope 1: Direct emissions (natural gas in offices, fuel used by car fleet)
- Scope 2: Indirect missions (purchased electricity)
- Scope 3: Other indirect emissions (purchased good and services, business travel, employee commuting, end of life treatment of sold products, ***or for FI's emissions associated with loans and investments*** )


# NACE - Nomenclature of Economic Activities - <https://nacev2.com/en>

Full	Full NACE level 1	Full NACE level 2 code incl.	Full NACE level 3 code incl.	Full NACE level 4 code incl.	Full NACE level 5 code incl.	Full NACE level 5 code incl. name section
C	C Manufacturing	C13	C13 Manufacture of textiles	C13.1	C13.1 Preparation and spinning of textile fibres	C13.10.00 C13.10.00 Preparation and spinning of textile fibres
C	C Manufacturing	C13	C13 Manufacture of textiles	C13.2	C13.2 Weaving of textiles	C13.20.00 C13.20.00 Weaving of textiles
C	C Manufacturing	C13	C13 Manufacture of textiles	C13.3	C13.3 Finishing of textiles	C13.30.00 C13.30.00 Finishing of textiles
C	C Manufacturing	C13	C13 Manufacture of textiles	C13.9	C13.9 Manufacture of other textile products	C13.91.00 C13.91.00 Manufacture of knitted and crocheted textile products

 **SPI online**

HOMEMY AUDITS SPI ONLINE WEBSITE

16English



OrgInfoProgression 14.29 %

☐ ORGANIZATION

☐ PRODUCTS AND SERVICES

☐ FINANCIAL INFORMATION & EXTERNAL REPORTING

☐ BASIC PORTFOLIO INFORMATION

☒ **ADVANCED PORTFOLIO INFORMATION**

☐ ESG CHECK

3 - MANUFACTURING (NACE C)

Manufacture of food and beverages

Manufacture of textile

Manufacture of leather, wearing apparel (including fur), and related products

Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles o...

Manufacture of paper and paper products

### Box 7. Financed emission metrics and comparability

Measuring financed emissions in absolute terms, i.e., absolute emissions, provides financial institutions with the necessary baseline for climate action to align with the Paris Agreement. When banks and investors aim to benchmark or compare companies, sectors, or portfolios to each other, normalization is required. Absolute financed emissions at a portfolio level are not a good metric to compare or benchmark financial institutions on their performance due to the potential differences between financial institutions in terms of size, product portfolio, exposure to sectors and regions, etc. For comparability and benchmarking, the absolute financed emissions need to be translated into an emission intensity metric (emissions per a specific unit).<sup>192</sup>

A wide array of intensity metrics is applied in the market and each has its own merits. The table below includes a list of the most common metrics.

Metric	Purpose	Description
<b>Absolute emissions</b>	To understand the climate impact of loans and investments and set a baseline for climate action	The total GHG emissions of an asset class or portfolio
<b>Economic emission intensity</b>	To understand how the emission intensities of different portfolios (or parts of portfolios) compare to each other per monetary unit	Absolute emissions divided by the loan or investment volume in EUR or USD, expressed as tCO <sub>2</sub> e/€M or tCO <sub>2</sub> e/\$M loaned invested
<b>Physical emission intensity</b>	To understand the efficiency of a portfolio (or parts of a portfolio) in terms of total GHG emissions per unit of a common output	Absolute emissions divided by a value of physical activity or output, expressed as, e.g., tCO <sub>2</sub> e/MWh, tCO <sub>2</sub> e/tonne product produced
<b>Weighted average carbon intensity (WACI)<sup>193</sup></b>	To understand exposure to emission-intensive companies	Portfolio's exposure to emission-intensive companies, expressed as tCO <sub>2</sub> e/€M or \$M company <sup>194</sup> revenue

## PAI 4: Exposure to Fossil Fuel

Share of investments in companies active in the fossil fuel sector:

(i) companies that derive any revenues from **exploration, mining, extraction, distribution** or **refining of hard coal and lignite**; (ii) companies that derive any revenues from the **exploration, extraction, distribution** (including **transportation, storage and trade**) or **refining of liquid fossil fuels**; and (iii) companies that derive any revenues from **exploring and extracting fossil gaseous fuels** or from their dedicated **distribution** (including **transportation, storage and trade**);

### Consensus

- Report with the “weighed” method, i.e:
  - For a USD 1M Invested in a Financial Institution that has a 10% exposure to the Fossil Fuel Sector in its portfolio, only USD 0.1M will be counted in the “share of investments in companies active in the fossil fuel sector”
- Some Investors that have a Use of Funds that excludes Fossil Fuels will report 0 for that indicator.

### Data collection

- Portfolio breakdown includes “exposure to fossil fuel”
- Check on ESG Risk questionnaire identification of risks and mitigation approach

## PAI 5: Share of non-renewable energy

Share of **non-renewable** energy **consumption** and non-renewable energy **production** of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage

### Consensus

- SFDR definition of Renewable Energy which excludes nuclear and natural gas
- Proxy calculation based on the share of non-renewable / renewable energy consumption of the country.

### Data collection

- Total electricity consumption (in kWh)



## PAI 6: Energy consumption intensity per high impact climate sector

Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector, corresponding to NACE:

- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply: sewerage, waste management and remediation activities
- Construction
- Wholesale and retail trade: repair of motor vehicles and motorcycles
- Transportation and storage
- Real estate activities

### Consensus

- For now, no proxy exist.
- Investors track their exposure to High Impact Climate Sector

### Data collection

- NOT APPLICABLE FOR NOW

## PAI 7: Activities negatively affecting biodiversity-sensitive areas

Share of investments in investee companies with sites/operations located **in or near to biodiversity-sensitive areas** where activities of those investee companies **negatively affect those** areas

### Consensus

- No proxy currently exists
- SPTF Investors are working on identifying financed activities that are near biodiversity sensitive areas and they assess the policies of the FSP relative to the protection of biodiversity

### Data collection

- For now, FSP to identify the branches near biodiversity sensitive areas
- Check on ESG Risk questionnaire identification of risks on biodiversity and mitigation approach

## PAI 8: Emissions to water

Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average

## PAI 9: Hazardous waste

Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

### Consensus

- These indicators cannot be collected directly from FSP for now
- No proxies currently exist

### Data collection

- NOT APPLICABLE FOR NOW

## PAI 10: Violations of UNGC principles and OECD Guidelines for MNEs

Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for MNEs

### Consensus

- SPTF Investors plan to report this indicator at the “Investee” level (i.e. not including potential violations from end borrowers of financial institutions)

### Data collection

- Guidance provided to define “violations”
- Integrated as a mapping with core ALINUS indicators and OrgInfo “ESG Check” section

## PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines for MNEs

Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for MNEs or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for MNEs

### Consensus

- SPTF Investors plan to report this indicator at the FSP level (i.e. not including lack of processes at the end borrowers of financial institutions)

### Data collection

- Mapping done with ALINUS questions
- Integrated as a mapping with core ALINUS indicators and OrgInfo “ESG Check” section

# Guidance for PAI 10/11

- We defined violations as:

*Sanction (e.g. fine/administrative/judicial sanctions) or non-monetary punishment have been applied to the provider during the last reporting year related to the following topics:*

- *Business practices against the Usury Law or the Consumer Protection Law*
- *Non compliance with National Labour Law*
- *Funding environmentally damaging activities*
- *Tax evasion or avoidance*
- *Non compliance with national Anti Money Laundering Law*

# Mapping between ALINUS and UNGC and OECD guidelines

- SIWG SFDR sub group mapped ALINUS with UNGC principles and OECD guidelines
- The principles have been identified in the Universal Standards indicators
  - In some cases, there was little applicability either to our sector (e.g. focused on multi-national enterprises) or ALINUS was not the proper tool (e.g. taxation).
  - Principles have been adapted to the relevant stakes in the financial inclusion industry (except for fair competition). When the principle could apply only to an MNE, this was indicated in the mapping exercise.
- CERISE has amended ALINUS to include the mapping. The score for E, S (linked to CP), S (linked to human resources), G comes from the answer to each indicator (Yes=1, partially=0.5, No=0)
- A more detailed version with guidance is provided on [the SEPM guide](#) on the new Cerise+SPTF Resource center. The content of this Guide will be linked to the related indicators in ALINUS and ESG Risk tools.
- Recommendation is made to gather feedback from investors at end 2023 to evaluate adaptations and guidance still needed in ALINUS.

## PAI 12: Gender pay gap

Average unadjusted gender pay gap of investee companies

### Consensus

- This indicator will be calculated for the Investee itself (not its end borrowers)
- Availability of benchmarks:
  - with OECD data
  - built over time with ALINUS and ESG Risk database

### Data collection

- Annual payroll
- Gender payroll
- Staff composition
- Automatic calculation in ALINUS / ESG Risk dashboards



## PAI 13: Board gender diversity

Average ratio of female to male board members in investee companies

### Consensus

- This indicator will be calculated for the Investee itself (not its end borrowers)
- Benchmarks already available with ALINUS data

### Data collection

- # of board members
- # of women in the Board
- Automatic calculation in ALINUS / ESG Risk Dashboards

## PAI 14: Exposure to controversial weapons

Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

### Consensus

- Investors check during their due diligence compliance with exclusion list

### Data collection

- NOT APPLICABLE (linked to exclusion lists and checked on portfolio segmentation)

# Optional PAI indicators


- 14 compulsory PAI
- Then, investors have to choose 2 optional indicators

# Optional indicators proposal

- **2.11** Investments in companies without sustainable land/**agricultural** practices *(7A11 as a strategy, with comments on agri/land + 7C121 to provide loans)*
- **2.15** Policy to address **deforestation** *with specific comments related to deforestation for the strategy indicator (7A11) + check also in indic on risk identification (7B22) and categorization of loans (7B24)*
- **3.5** Lack of **grievance/complaints** handling mechanism related to **employee** matters *(formal grievance mechanism 5B22)*
- **3.9** Lack of **human rights** policy *(do no harm strategy 1A142, to mitigate human rights violations )*
- **3.15** Lack of **anti-corruption** and anti-bribery policies *(do no harm strat 1A14, on corruption and bribery- 1A143; reports to Board on fraud and corruption: 2A315, internal audit to check on fraud and corruption: 2B223, fair treatment of clients to prevent corruption, theft, etc. 4C121)*

# How to read the ESG Risk Dashboards?

SPI Online		SPI ONLINE - TABLEAU DE BORD SOCIAL SPI5_ESG			
Test		Pathway SPI5			
FRA		Tool SPI5_ESG			
Forme juridique	Banque	Methodology:		SA	
Monnaie utilisée dans le rapport (en code international de 3 lettres)	XOF	Données à la date du :		2023-02-20	
PERFORMANCE DE L'ESG - SCORE GLOBAL " SCORE DE DURABILITÉ				51	
E	30%	ENVIRONNEMENT			
S/CP		Scope 1 : émissions directes provenant de sources détenues ou contrôlées	Carbon footprint	N/A	Nombre d'agences / points de vente situés dans ou près de zones sensibles en termes de biodiversité où les activités peuvent impacter négativement
S/HR	28%	Scope 2 : émissions indirectes liées à la production d'énergie achetée	Energy intensity	N/A	ÉMISSION DANS L'EAU
SOCIAL				0	DÉCHETS DANGEREUX
CONDITION DE TRAVAIL DÉCENTES		PRINCIPES DE L'UN GLOBAL COMPACT/OCDE	PROTECTION DES CLIENTS		
Gender pay gap	N/A	Sanctions on business practices	TIA moyen de votre portefeuille de prêt	26	A
Employee turnover ratio		Dispute in courts	Comment l'institution fixe-t-elle le taux d'intérêt de son produit de crédit le plus représentatif?	Par la méthode des taux d'intérêt fixes	
GOUVERNANCE					
Nombre de membres du conseil d'administration	6	Board gender diverstiy	33%	Adequate accounting and auditing systems	
Nombre de membres du conseil d'administration indépendants		Nb of staff trained on environmental performance management		Adequate corporate governance	



# The needs and value of ESG reporting

- Data collection: coordination possible to have one report by FSP, to be shared with interested investors
- Data agregation: unique identifier by FSP, linked to each investor identifier, database from ALINUS/ ESG Risk agregated by investors
- Use for ESG risk management – feedback to FSP
  - ESG dashboards to be discussed
  - Improved guidance for FSP (e.g. IFC or FMO factsheets, links for biodiversity sensitive areas, benchmarks for gender pay gap and women on Boards, etc)
  - Update and support to improve practices

# Next steps

- Webinar serie in English (March 28), in French (March 28), Spanish (April 5), Russian (April 18), recorded and soon available on SPI Online website
- Investors and FSP to work together to collect the data, understand what it means for ESG risks management
- Cerise+SPTF to coordinate data collection and share aggregated data with investors,
- Cerise+SPTF to analyse the results to understand the value of ESG reporting, provide benchmarks
- Deadline to report to EU for Art. 9 funds:
  - June 2023 by law
  - But earlier for some investors (annual reporting)
- Let's start now!!



Live Demo:

- SPI Online platform (resources, news, access to tools)
- SPI online account
- Creating ESG Risk or ALINUS audit




# SPI Online (Live demo)

## A new integrated platform for Social and Environmental performance management

- All resources at the same place
  - The 7 audit tools to guide Social and Environmental assessments for new comers or experts, for financial service providers or investors, in French, English, Spanish
  - Technical resources for implementation of the Standards (Resource center and the Help Center to navigate and use the audit tools)
  - Trainings and e-learning
  - Human resources and financial support (Experts and funding)
- News and blogs
- Linked with [cerise-sptf.org](https://cerise-sptf.org) to provide the background of the Universal Standards and Client Protection Pathway


# Let's open your SPI online account and create an audit


 **SPI online**

HOME

MY AUDITS

SPI ONLINE WEBSITE



 Johnson Greg ▾

1

Audit Type

2

Audit tool

3

Methodology

4

Information

5

Sharing Settings


6

Data

7


Summary

1 - Choose an audit category




### SEPM Pathway

Assessments on the framework of the Universal Standards for Social and Environmental Performance Management



### CP Pathway

Assess only the Client Protection Standards



### Environmental Pathway

Assess only Dimension 7 of the Universal Standards

2 - Choose audit tools

☒ **ESG Risk** 31 indicators

Measure social and environmental risks and ESG compliance

☒ **ALINUS** 64 indicators

Conduct social and environmental due diligence

☒ **SPI5 Entry** 103 indicators

Assess against a condensed version of the Universal Standards

☒ **SPI5 Full** 183 indicators

Assess against the comprehensive version of the Universal Standards

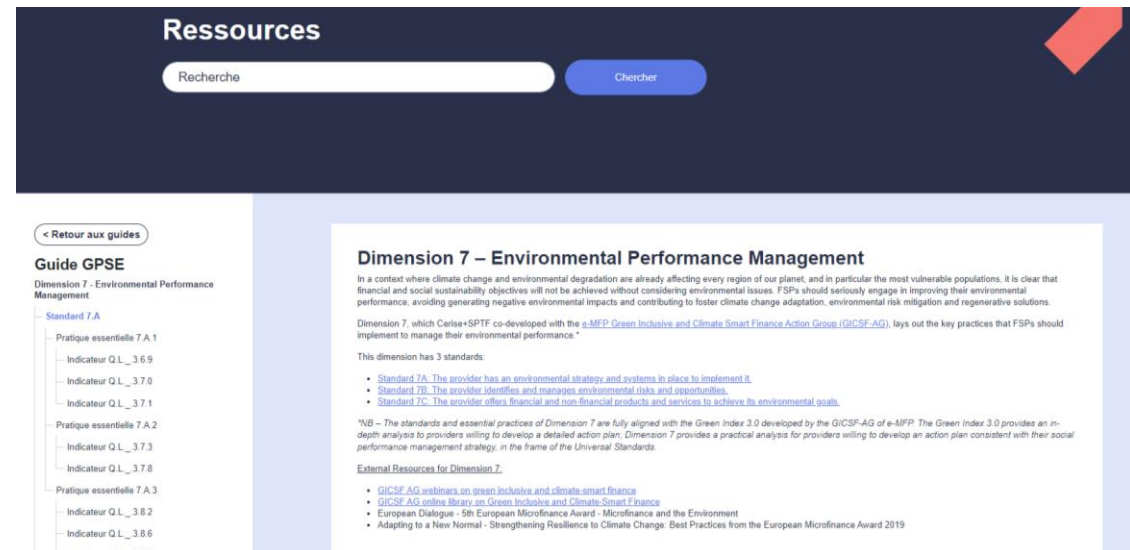
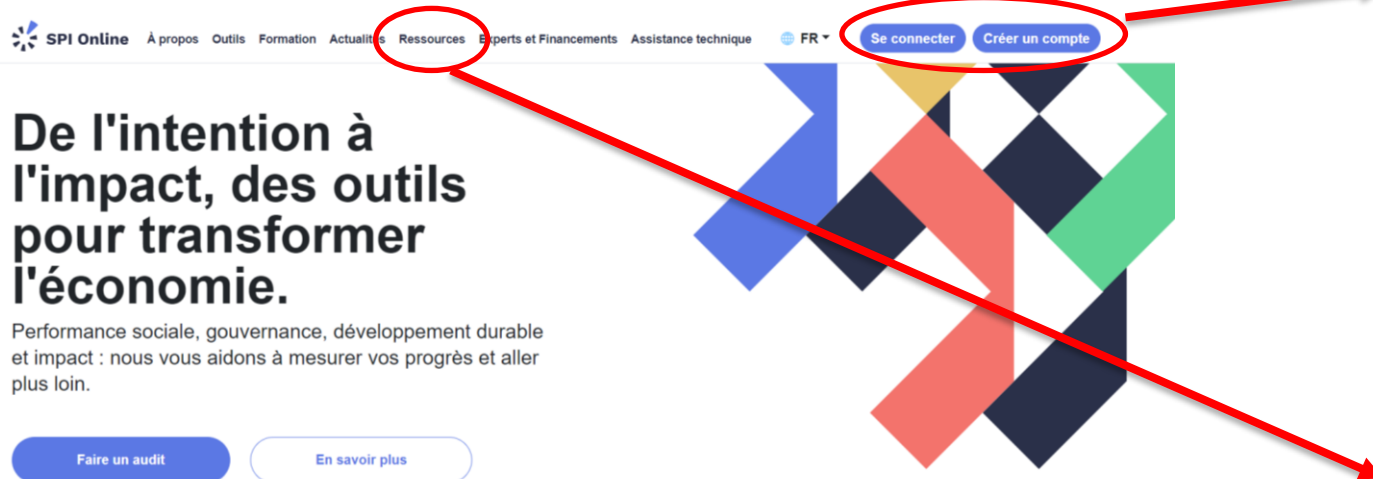
[Cancel creation](#)

PREVIOUS

NEXT

# Resources on SPI Online

Access SPI Online and get technical resources  
<https://spi-online.org>



If you have any question, please  
contact us!

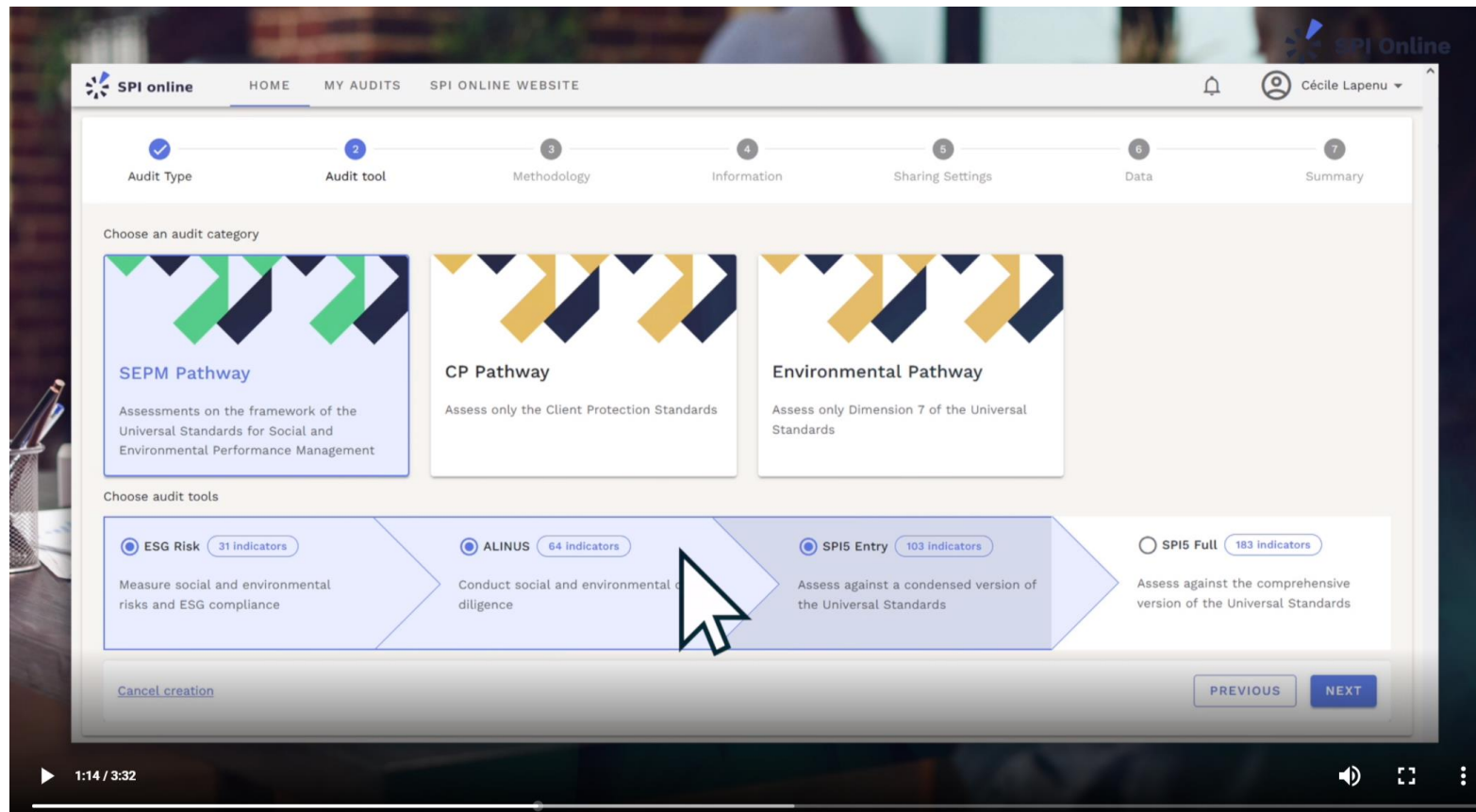
Thank You!

CONTACTS

**Cerise, support on SPI Online:** [support@spi-online.org](mailto:support@spi-online.org)

# SPI Online Video

3 minutes to discover the platform of tools & resources



# Sources of information

- Some useful links to resources on Biodiversity
  - World Database on Protected Areas [www.unbiodiversitylab.org](http://www.unbiodiversitylab.org)
  - Key Biodiversity Areas('KBAs') [www.keybiodiversityareas.org](http://www.keybiodiversityareas.org)
  - World's Protected Areas [www.protectedplanet.net](http://www.protectedplanet.net)
  - IBAT [www.ibat-alliance.org](http://www.ibat-alliance.org)
- NACE nomenclature: <https://nacev2.com/en>
- If you want to register to Cerise+SPTF newsletters:  
<https://cerise-sptf.org/mailling-list/>